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*Conducting*

*The Educational Training Course*

*for*

*Retail Shoe Salesmen*

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# STOCKKEEPING

BY

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VOLUME 6

CONSTITUTING PART OF THE TRAINING COURSE AND SERVICE FOR RETAIL SHOE SALESMEN

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# PREFACE

Stock is purchased by the retailer — it is sold to the customer. But what a gap lies between these two processes; a gap which, if bridged, means the making of the merchant and the retail shoe salesman. Among the foremost essentials for success in retailing is that great middle process of *stockkeeping;* of insuring that the supply of merchandise on hand never is too much nor too little, and that always it is efficiently arranged and well cared for. No shoe stock is so large nor so small that stockkeeping activities are not absolutely necessary.

What constitute the many phases of stockkeeping, how the satisfactory treatment of stock depends upon the whole-hearted coöperation of the salesman, and how the results of good stockkeeping promote the salesman's own progress, are all explained in detail in this volume. The discussion is not based upon theory in regard to industry in general, but upon actual practices that have proved their worth in the retail shoe industry. Of such there are many. The ones used for illustration, however, show characteristic applications of clearly defined principles, and they will be helpful to the shoeman in what-

ever the type of retail store or its location. The mastery of the routine of all or any one of these systems is not so essential. The details of operation are only second in importance to a thorough understanding of the fundamentals that underlie the problem of scientific care and control of stock. Special emphasis, therefore, has been laid upon the broader aspects of the subject to meet the exact needs of retail shoe salesmen and merchants.

Throughout the following pages direct reference is made to some of the individuals and firms that have willingly coöperated in the furnishing of material for this volume. There are several, however, whose aid is not evidenced by descriptions of specific systems or by recommendations, but whose general advice has been indispensable. To these experts the Editors now make grateful acknowledgment: John R. Grigg, Ben Jacobson, E. A. Moore, H. B. Scates, D. F. Sullivan, A. W. Verner, W. J. White, R. R. Wilkinson, W. W. Willson, "Boot and Shoe Recorder," Burroughs Adding Machine Co., Morse & Haynes, National Association of Credit Men, "Shoe Retailer," and Tallman, Robbins & Co.

THE EDITORS.

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# STOCKKEEPING

## CHAPTER I

### VALUE OF THINKING SALESMEN

#### NOT JUST SALES—SALES AT A PROFIT

From the standpoint of personal business success one of the most hurtful failings a retail shoe salesman can have is ignorance of the goods he is attempting to sell. To the truly successful salesman each pair of shoes represents not merely something to cover the feet but a clearly understood combination of good material, expert workmanship and scientific fit. Only through knowledge of such matters can he become known by that sign of expert salesmanship, by the number of customers he wins and keeps.

Yet knowledge of the goods is not all-sufficient. Another costly habit is ignorance in regard to the profit-making system of the business. The salesman's duty is not merely to see how many shoes he can sell with satisfaction to the customer, but also to see how much money he can thus make for the business and, finally, himself. There is a mutual interest all along the line, and the success of one is dependent upon the satisfaction and profit of the other. This follows

through from the customer to the salesman and to the merchant.

## WHAT PROFITABLE MERCHANDISING REQUIRES

The profit-making system — of what does this consist? Not merely forms, books and statements, surely; these are simply the tools. The system itself is organized effort, looking to the satisfaction of not only the buyer but also the seller. Records do not increase sales or decrease expenses. But with the coöperation of everyone, from the errand boy to the head of the business, they furnish information which with intelligent use will insure profits.

To translate "organized effort" into more concrete terms it may be said that successful merchandising, from the seller's point of view, is that which secures and maintains these four conditions:

1. Attractive arrangement and painstaking care of stock,
2. With a proper rate of turnover,
3. At a fair gross profit,
4. With economical management.

In order to bring about these conditions, it is not sufficient for the *owner* to know why and how they should be obtained. His are the master mind and the guiding hand, of course, but each day his efforts toward successful merchandising must be multiplied through the coöperation of the entire working force of the store. This

means that every salesman should understand *why* these conditions are so desirable and *what* he can do to help secure them.

## INTEREST IN THE MERCHANT'S WELFARE

Every retail shoe salesman who is worthy of the title does his best to sell goods to the customer's satisfaction, to be courteous, to increase the volume of his sales, and to be regular and careful in his work. Important as those objects are, however, their pursuit will hardly suffice to keep the salesman out of the rut, for they come within the scope of the daily routine. The really expert salesman does not wholly confine his work to the direct relations with his customers; he gives careful attention also to improved methods of store operation and management.

Indifference to these matters is wrong not only because it retards the salesman's development but also because it causes needless expense and handicaps the forward movement of the business. The failure of one salesman to perform properly his indirect as well as his direct duties reacts to the detriment of all others and the store. A lack of attention to old stock, for example, means a higher expense of operation. Higher expenses thus mean lower profits. The margin of profit in the retail trade is so narrow that any form of needless expense is dangerous.

The secret of maintaining interest in matters outside of the daily selling routine is for the

salesman to consider himself a member of the firm. The more he feels that he is working in "our" store instead of "theirs," and the more he acts under this inspiration, the better off will be both he and his employer. Real interest and teamwork go hand in hand.

## MERCHANTS WANT SALESMEN OF ABILITY

Salesmen sometimes feel that interest in the various problems of management is not welcomed by the merchant. In most cases this is not true. Store owners and department managers as a rule fully recognize the value of salesmen with constructive brains and are glad to recognize ability.

As one successful shoe manufacturer of Brooklyn, N. Y., has wisely said on this subject: "You will always find that the successful business man is the individual who surrounds himself with brainy men. He is willing to buy brains. He seeks initiative and the knowledge of others." Indeed, within the last few years business leaders have fully recognized the principle that the power of initiative must not be limited to any one class of people if the greatest success is to be realized. Although authority must extend downward, suggestions should extend upward freely from those who are in intimate touch with the details of the selling process. Only in this way can the brains as well as

the hands of the sales force be used to attain the best results for all concerned.

## TACT AN IMPORTANT CONSIDERATION

The salesman realizes, of course, that interest in problems of management should not be expressed in the form of a desire to "run the business." Making helpful suggestions to the merchant is like courting a haughty lady, which, as George Ade says, "has to be done in just a certain way." The fact that the merchant is at the head of a business is usually first evidence that he knows more and has had more experience than the salesman. Yet he will scarcely object to aid from the salesman if this is given with due regard and tact.

In this connection there are three main points the salesman should bear in mind. The first is that any interest he expresses in the merchant's problems should be stated from the merchant's point of view; not directly from the point of view of a saving in time or effort or an increase in salary for the salesman, but from that of better service to customers and greater profits for the store. The second point is that the salesman cannot afford to make destructive comments about present methods and results unless at the same time he has ideas to offer for their improvement. The third point is that the salesman should never present constructive ideas in "half-baked" form. In every case he should consider

the who, what, when, where, why and how of the matter, and speak to the merchant only after the suggestion is thoroughly worked out. When the salesman exercises such care regarding the substance and the manner of offering his suggestion, he makes a favorable impression.

The very rare exception is the merchant who looks upon any expression of interest in store problems as a trespass upon holy ground. Probably he is the very merchant who most needs the coöperation of all his workers in order to put his store upon a paying basis. In such a case the only course for the salesman to pursue is to keep on developing an understanding of all phases of the work. Abraham Lincoln's advice is good: "The way for a young man to rise is to improve himself every way he can, never suspecting that any one wishes to hinder him."

### BE STEADFAST IN YOUR DESIRE TO LEARN

The word of advice therefore is for the salesman to keep his information account open. He should do this because he is a salesman, not in spite of it. He should learn all the phases of shoe retailing, so that he will do his own work more effectively. He should keep his eyes on the great truth that possession of knowledge and interest in the wider aspects of his work will put him above the average. The salesman should strive for originality in his efforts from the point of view of thought and action. He

should continually seek to express his originality in the form of sound business-building ideas.

The circumstances of our daily work are the means through which we attain success or failure. They are the nails on which we hang our failures or with which we clinch our successes. Only as we handle these circumstances with skill and with a full understanding of how they effect our own well-being and the good of the business as a whole is our success assured.

## BACKGROUND OF STOCKKEEPING

### STOCKKEEPING AND PROFIT-MAKING

If it is most desirable for the salesman to exercise all his brain power in connection with the profit-making system of the store, just what does this imply in regard to stockkeeping? This is a broad term, but a glance at the first three conditions of successful merchandising as already mentioned will give an idea of what it covers. They are attractive arrangement and painstaking care of stock, sale at a fair gross profit and sales with a proper rate of turnover. These are matters having to do with the earning of profits through the handling of the stock itself. The fourth condition, economical management, has to do with the more general problems of store operation. Only the first three conditions, therefore, will be discussed in this volume;

the fourth will be treated fully in the last volume of the Training Course.

## STORE EQUIPMENT AND LAYOUT

The first subjects to demand attention in a discussion of stockkeeping are the store equipment and the general layout. In the larger sense these are matters of store planning rather than stockkeeping; but since they constitute the background of the stock, it is well to mention them now.

As a retail shoe salesman the reader is interested in these subjects for his own sake as well as the sake of his customers. He spends at least one-third of his waking hours in the store. There is, therefore, every reason why he should have favorable surroundings, a light airy room, decorated in good taste and furnished with neat, clean equipment. Such an environment elevates his mental tone — leads to more interest in and better results from his daily activities.

Important as the physical character of the store is to the salesman personally, however, it is even more so because of its effect upon the customer. Service to the customer, which is the basis of permanent trade so vital to the retailer's success, is not merely a matter of courteous attention and thoughtful aid in helping the selection of the right pair of shoes. It is also a matter of despatch. When customers find that they cannot spend their money without unnecessary

waste of time and energy, they trade elsewhere next time. But quickness of service can easily be secured through such means as carefully designed equipment, a convenient layout, facilities for careful and quick wrapping of the new or old shoes to be taken away, and a rapid change-making and sales recording system. Such facilities help to make pleased and steady customers.

The salesmen, to be sure, usually have no more to do with the selection and setting up of store equipment than they have with the killing of the calf from which the shoe is made. The proprietor is the one who decides on the fixtures and the layout, and his decisions have generally assumed material form by the time the salesmen enter upon the scene. Yet the enterprising salesman will seek to understand the principles of store planning in order that he may best use the existing equipment and possibly make suggestions for improvements or additions.

## AMOUNT OF FIXTURES NEEDED

The sort of equipment used in shoe stores is well standardized. Shelves and cartons, display cases or counters, fitting seats, a wrapping counter, a change-making device and suitable office equipment are the essentials. The quantity of some of these facilities, however, may with all propriety vary widely in different stores, and the salesman should understand why.

The quantity of equipment necessary in the

store proper depends upon various factors. The seats, for example, obviously should, if possible, be numerous enough to handle all rush-hour customers. The number is thus gauged by the size of the store and the maximum number of customers to be handled at one time.

The amount of shelving in the main part of the store is affected, of course, by the stock on hand, with due regard for the costliness of space and for the treatment of out-of-season stock and reserve or duplicate stock. A retailer in a district of high rentals may have a small store with shelving running even to the ceiling; the out-of-season and the reserve stocks being kept in a less expensive basement, loft or adjoining room. A dealer in a less expensive location, on the other hand, may have room for all his merchandise on comparatively low shelves.

When basements or lofts are available, they make very good stock rooms if they do not have to be reached by too long a route. Some retailers argue against a stock room, on the ground that there is a temptation to keep its shelves full and thus overbuy. If the extra stock is kept on the main shelves, however, the same temptation exists unless blank spaces are filled with dummy cartons, for the dealer knows that empty shelves do not impress the customer. The only weighty argument against a stock room applies in the case of a store whose business does not warrant having one. The small store, provided the

main-floor space is not too expensive, can often carry a little larger, well-assorted stock and depend on the reserve stock of the manufacturers' in-stock department, the wholesaler or the jobber.

Circumstances certainly alter cases, but one general statement can safely be made. Given a store whose rent expense is not excessively high in comparison with sales, the shelving in the main part of the store should be sufficient to accommodate the full run of sizes in all the seasonable varieties carried. This is the minimum requirement. Just how far it can well be exceeded in any case will depend upon the amount of extra room available, and upon the relative economy of taking care of the out-of-season and reserve stocks in a store room or providing an attractive setting for them in the main portion of the store.

It follows also that the shelves in each section should not be skimped. Shelves so far apart that they will take piles of cartons four, five or more high will keep the investment down only a trifle, but at the same time make the handling of pairs and the general shifting of stock much more difficult. The most progressive stores use single-carton shelving. This is the ideal; the nearer it is approached, if not attained, the better.

Nothing needs to be said about the quantity of the other kinds of equipment except display counters or cases. Devices of this sort may be

required for hosiery, polishes, buckles, laces and other findings. In some instances the findings have simply a section of the shelving, perhaps with special card-board boxes for small findings like laces and polishes, or a set of specially built-in drawers with solid or glass fronts. In most instances, however, at least part of the findings are put in glass display cases, located in a prominent part of the floor space. A convenient combination of equipment for many stores is a floor case for hosiery and behind it a wall showcase with drawers underneath. Any reserve supply of findings, if not carried in drawers beneath the display cases, are usually placed in the stock room. Some stores with a large amount of such reserve stock consider it wise to put it in an enclosed section of the stock room, and even keep the section locked to prevent misplacements and losses of such small articles.

There is a tendency now to use glass floor cases for displaying samples of shoes. Modern ideas in storekeeping require a display of merchandise in the store as well as in the window. One of the reasons people flock to the department stores is that they feel they can select what they want from the goods displayed. Shoe dealers who now display merchandise in the store would never think of going back to the old methods of keeping all stock boxed out of view. Whether one, two or more display cases for shoes are needed in any particular case depends upon local con-

ditions. This must be determined by the size and the shape of the store, and by the artistic sense and the business judgment of the merchant and his salespeople.

## QUALITY TO SUIT THE CUSTOMER

The quality of store equipment varies as does the quantity, but the deciding factors are fewer. In fact, there is only one that the salesman need bear in mind. The store facilities in general should be such as are suited to the customers served. Except in small communities, where there is little difference between stores in the quality of goods and service furnished, the retail shoe store builds up its reputation on low-price, medium-price or high-price shoes. The equipment should be in keeping with the goods and the class of trade.

Many arguments have passed back and forth in regard to the necessity of expensive fixtures. One type of retailer holds that a customer is interested in the goods, not in the fixtures, whereas another maintains that expensive fixtures add to a store's prestige. There is truth in both contentions. The primary interest of any customer is not in shelves, cases, cartons, seats — but in shoes. Many customers, however, are not averse to paying for more than leather and workmanship; they are willing to pay liberally for a satisfaction of their taste for elaborate

furnishings. They are accustomed to beautiful homes and luxurious fittings, and they appreciate similar surroundings in their business dealings. To them the furnishing of such a setting constitutes service, and they willingly meet the higher prices necessary to cover the interest and depreciation on the heavier investment.

Other customers do not demand this kind of service. To them it would represent an extravagance. Consider, for instance, how foolish the Oriental rugs and ivory-tinted woodwork of the Fifth Avenue exclusive shops would be for shoe selling in a lumberman's town. The lumber jacks would not feel natural in a store so equipped, and they would scarcely look with favor upon having to pay more for mental dissatisfaction. The determination of the quality of the equipment, therefore, should be from the customer's point of view. Not what the owner can afford to spend in fitting up the store, but what the general run of customers will deem agreeable to their standard of living — that should be the controlling factor. The wise retailer tries to make his customers "feel at home"; the wise salesman observes and reports results.

## SPECIAL CARTONS AND LABELS

As a general rule the cartons furnished by the manufacturer are of good quality as far as material and appearance are concerned, for manu-

facturers of late years have reached a better understanding of the sales value of attractive containers. Hence a retailer who buys largely from a single manufacturer has no need for furnishing special cartons of his own. The case is different with retailers who buy from various manufacturers. Varieties of cartons which individually present a good appearance may, when brought together, give an undesirable mixed-up effect to the shelves. Different cartons may help the small dealer to know relative costs at first glance, but in general the appearance to the customer's eye is more important. To raise the quality of appearance under such conditions retailers often use a distinctive carton of their own on the main shelves, the result being to produce an attractive uniformity that appeals to the customer's good taste.

The salesman, if he makes a suggestion along this line, must exercise judgment in recommending the use of special cartons. It may be that the size of the store or the character of trade will not justify the investment. Perhaps the effect of a mixed-up stock can be removed by pasting special labels on the manufacturers' cartons. Such labels can be bought cheaply in large quantities. Manufacturers often paste on these special labels themselves. Any uniform labels are better than the job-lot looking mixture that is bound to result if this matter of appearance is not carefully watched.

## STOCK ROOM EQUIPMENT

When a stock room is provided for out-of-season and reserve stocks, or perhaps for only the latter, the shelving need not be so elaborate as in the store proper. Some stores find it suitable to keep surplus stock in an arrangement of packing cases. The only requirement of storeroom equipment is utility, and any arrangement is satisfactory that preserves the stock and permits efficient finding and handling.

## LAYOUT OF STORE

The layout of the equipment in a store dealing solely with shoes and findings is generally easy to arrange. The placing of the largest part of the equipment, the shelving, involves merely the matter of determining how many walls and how much space on each one is to be used. The seats, too, find their position readily in accordance with the shape of the store, the light and the convenience of the salesmen and the customers. Some of the display counters or cases for shoes naturally take up a location in the front of the store near the entrance in order to attract the customer's eye. The cases for findings should be placed forward, too, not because the goods are cheaper but because the presence of such goods needs to be impressed upon the customer's mind. As for the wrapping and the change-making facilities, these may be put near the rear of a small store. In a large store they may need to be

more centrally located, in order to save time for the salesmen and the customers. With a cash-conveyer system, of course, the cashier can well be placed wherever the office happens to be.

In a department store there is always the possibility of increasing or decreasing the size of departments from time to time, and the probable use of cabinets for cartons. This makes it necessary to put more study on the matter of layout, in order to insure that neither economy of space nor proper service to the customers is sacrificed. The location of the elevators and the number of aisles from other departments have a bearing upon the location of cabinets, display cases and seats. It is usually possible, however, by a study over a short period to determine the one entrance and the one aisle that are most used, and to center the display effort at these points.

### WHAT THE SALESMAN MIGHT SEE

The choice of store equipment and its layout, as stated before, are ordinarily made in the first instance by the merchant. Little in this world is perfect, however, and the salesman can often point the way to betterment. He is the one who is using the equipment; if it can be altered in form or arrangement so as to permit more prompt service to customers, he should be the first to see the opportunity.

In one investigation it was found that the shoe

section in a city department store was suffering from lost time on the part of the salesmen because of the slow pace of customers going through the store. A careful analysis of the store equipment and the layout showed two undesirable conditions. In the first place the rows of seats were so long that the salesmen were often forced to take many unnecessary steps to reach shelves nearby. In the second place, between the seats and also at one end of the store there were several long tables covered with sale stock arranged regardless of size or style. This resulted in confusion, delays and lost sales.

Remedies for these conditions were not difficult to find. The rows of seats were cut by aisles so that all salesmen could have easy access to any section of shelving. The long tables in the seating space were removed altogether, those at the end were replaced by small circular counters, with an opening to permit approach both outside and inside, and the stock on each was limited to a single size. This improvement enabled customers to make their selections of special-sale stock without confusion, often not needing the aid of salesmen. After these changes the salesmen could devote their time to selling instead of walking around hunting for goods and sorting them. Result: 120 per cent increase in number of customers served in a certain period, and 100 per cent in volume of sales, just through choosing and placing the equipment so as to reduce waste motion.

Without a doubt similar conditions in other shoe stores could be improved through the exercise of close observation and careful thought on the part of the salesmen. Perhaps the display cases are too small or off the line of traffic; perhaps the seating capacity is not sufficient. Perhaps the seats are located without due regard for the customer's convenience in reaching them, or for the possibility of congestion at the time of special sales. Perhaps, in the case of overhead shelving, the ladder equipment is inadequate, especially in rush hours, so that one salesman wastes precious minutes in waiting for the means to reach the upper cartons. Perhaps the reserve stock is unnecessarily removed too far from the selling space, so that much time is wasted in re-stocking the shelves.

Many retail stores have always been poorly equipped from the points of view of interior display and of prompt handling of customers. Other stores once seemed well equipped, but they have not kept pace with important developments in the art of display. The salesman in such a store can be of material aid in correcting defects in the physical structure provided he understands the function of equipment and layout in attracting and speeding up sales. Nor will the progressive retailer scorn any tactful help or suggestions offered him, for if he is wise enough to be progressive he will appreciate that two heads are better than one.

# CHAPTER II

## CLASSIFICATION OF STOCK

### THREE C'S OF STOCKKEEPING

Although the salesman should be interested in the perfection of the store equipment and lay-out, these matters are less intimately concerned with his daily efforts than is the *stock*. The stock is what actually passes through his hands to the customers. Whatever share he has in stockkeeping therefore demands continuous attention.

The owner of the store goes to great expense to gather the right sort of merchandise to meet the demands of his trade. But the buying of the stock from the manufacturer or supply house does not automatically convert the goods into the customer's money. From the instant stock is received it must be handled systematically and carefully by all those who come in contact with it. Such treatment does not stop altogether even at the time of the final sale of the goods to the customer, for upon a careful analysis of sales depends the replenishment of stock so as to satisfy still more customers.

All these aspects of the treatment of stock

are best described in connection with what we call the "three C's" of stockkeeping: Classification, Care and Control. The salesman understands clearly just what action on his part each one demands. Consideration will be given first to the matter of classifying the stock.

## REASON FOR CLASSIFICATION

Shoe retailers sell shoes, but a customer does not want "shoes" in general. He desires or must be made to desire, some particular pair of shoes. It may be a high shoe instead of an oxford; a black instead of a tan, a patent leather instead of a glazed kid; a 9 A instead of an 8 C. How can the salesman turn knowingly and without error, to the proper pair at once? Through understanding how the stock is classified — that is, through knowing not only the names of all the divisions of stock but also the exact location of each division on the shelves.

A jumbled stock, or a well-divided and arranged stock in the hands of uninformed salesmen does not make for efficiency in the store. Such hit-and-miss operations may hit the laziness of the clerks, but it is likely to miss the pocketbooks of the customers. The reason for this lies in the necessity for prompt service. Good material, good fitting, courteous attention — these are essential in all cases for the satisfaction of the customer, but their effectiveness may be reduced and in some cases overbalanced by

delay in finding the desired shoes. The sooner the salesman can bring out the pair asked for or considered to be suitable, the greater is his chance of effecting the sale.

To take care of customers properly and with a minimum loss of time is a special knack in selling, but is within the reach of every enterprising salesman. As far as the classification of stock is concerned, all that he needs to do is to learn the existing system from A to Z and then be wide-awake to improve it if he can. Knowledge and initiative, combined with tact, will work wonders.

## BASIS OF SHOE CLASSIFICATION

The average shoe stock is composed of elements that show many degrees of variation. Shoes show distinctions in these points:

Make — The name of the manufacturer and the factory number.

Kind — Suitability for sexes and ages, such as men, women, boys, youths, misses, children and infants.

Grade — Value indicated by retail selling price.

Style — The character as determined by the last, the pattern, the color and the material. Examples of style designations are blucher, bal, oxford, button, black, tan, patent, cloth-top, slippers, arctics, etc.

Size — The length, expressed in figures.

Width — The breadth, usually indicated in letters.

## EXAMPLES OF STOCK NUMBERING

The chief essentials of a stock-numbering system are that it shall be easy for the salesman to memorize and that it shall be flexible enough to allow the addition of new styles along the line. One way to serve both these purposes is to place a group of similar styles under a block of numbers, instead of numbering existing styles "solid," thus having to give all new lines stock numbers from the very end of the number series.

Jacobs Brothers, New Orleans, La., for example, use the following "block" plan for numbering women's shoes:

| | |
|---|---|
| 1000 to 1499 — Patent high | 3500 to 3999 — Patent low |
| 1500 to 1999 — Dull high | 4000 to 4499 — Dull low |
| 2000 to 2499 — Tan high | 4500 to 4999 — Tan low |
| 2500 to 2999 — Fancy high | 5000 to 5499 — Fancy low |
| 3000 to 3499 — White high | 5500 to 5999 — White low |

Each of these groups of 500 is further divided as to turns and welts, and as to French and Cuban heels:

1000 to 1020 — Turns with Louis XV heels
1021 to 1035 — Welts with Louis XV heels
1036 to 1050 — Turns with Cuban heels
1051 to 1099 — Welts with Cuban heels

Each block of numbers affords ample provision for expansion in each group of the classification. There is sufficient leeway even with the

company's practice of advancing the stock number 100 for each year a style remains in stock.

The basic requirement of a shoe classification, therefore, is the separation of the stock in accordance with the foregoing points of difference. First comes the division into the main groups, such as men's and women's. Then follows the separation of each of these groups according to the makes and grades. Finally comes the division of each sub-group into styles and each of these into sizes and widths.

Not every division in the classification may be necessary in all cases. A manufacturer's chain store, for example, will not need as many separations according to makes, for it handles principally the shoes of only one manufacturer. The exact number of divisions in the classification is immaterial. The main point is that it shall start with a general classification and proceed regularly and in sufficient detail to the particular shoe, so that the salesman can with a minimum amount of mental effort run down the clue to the exact pair the customer wants.

## STOCK NUMBERS FOR STYLES

The need for fixing upon a plan or system of dividing the stock into well-defined groups is the first step in classifying shoes, and the actual physical arrangement of the shoes in accordance with such grouping is the second step. Before giving a detailed discussion of the actual ar-

rangement of the shoes on the shelves, however, it is well to bring up the matter of stock numbering. Stock numbers might be used to indicate in brief just where individual lots of shoes stand in the general classification; thus similar numbers indicate that the shoes belong in the same general group and they help in the arrangement of the group.

Some retailers have no numbering system; they make appropriate groups of shoes on their shelves by using the data on the manufacturers' carton labels and possibly notes added by themselves. Like colors, like leathers, like patterns they put together; in short, they arrange the styles in orderly fashion, on the basis of a full description noted on the contents of each carton.

Other retailers accomplish the same result, but they do not depend upon a written description on each carton. For convenience in arranging the stock and in maintaining stock records they assign a number to each style and mark the carton accordingly. Although a slight difference, such as in stitching or in eyelets and hooks, may warrant more than one stock number for the same style, generally each stock number is the mark for shoes of a specific style, color and material. Consequently, beyond this number the shoes need arrangement on the shelves only according to size and width.

Cohen Brothers, Jacksonville, Fla., use stock numbers for women's shoes first to show the

leather, thus: 900–999, patent; 1000–1099, black kid; 1200–1299, brown leathers, and so forth. The first fifty numbers in each block designate boots, and the last fifty, low shoes. Thus 900–949 cover patent boots, and 950–999, patent low shoes. Moreover, the smaller the number, the higher the price, so that 901 represents a patent boot higher priced than 931. In the children's section the 100–199 series indicates baby shoes; 200–299, children's shoes, size 4–8; 300–399, children's shoes, size $8\frac{1}{2}$–11; 400–499, misses' shoes, size $11\frac{1}{2}$–2; and 500–599, growing girls' shoes; size $2\frac{1}{2}$–6. These series are divided as above, the first fifty numbers representing high shoes and the last fifty, low ones.

### A MORE DETAILED SYSTEM

Instead of a block-number system, a plan based mainly on the ten digits (0, 1, 2, 3, 4, 5, 6, 7, 8, 9), and the positions of these digits can be used. Such a method is used by the Van Degrift Shoe Co., Los Angeles, California. The details are as follows:

#### MEN'S AND WOMEN'S STOCK NUMBERS

The first figure of each stock number indicates the kind of material used in the vamp.

1. Patent
2. Kid
3. Calf
4. Tan calf
5. Brown kid
6. Fancy leathers
7. Fabrics
8. White leathers
9. White canvas

The second figure represents certain other aspects of style, the first five digits referring to men's shoes and the last five to women's:

| Men's | Women's |
|---|---|
| 0. Fancy top | 5. Fancy top (not cloth or same color) |
| 1. Narrow toe | 6. Turns |
| 2. Medium toe | 7. Dress or sport welts and McKays |
| 3. Wide toe | 8. Comfort turns |
| 4. Heavy work shoes | 9. Comfort welts |

The third figure indicates the price:

| | |
|---|---|
| 0. $20.00 and over | 5. $10.00 to 11.50 |
| 1. $18.00 to $19.50 | 6. $8.00 to $9.50 |
| 2. $16.00 to $17.50 | 7. $6.00 to $7.50 |
| 3. $14.00 to $15.50 | 8. $4.00 to $5.50 |
| 4. $12.00 to $13.50 | 9. Under $4.00 |

The fourth figure indicates the fastening:

Even numbers indicate the button styles
Odd numbers indicate the lace styles.

These special designations are used as required:

| | |
|---|---|
| x. Oxford | 100 Tennis |
| p. Pump | 200 Boudoir and Felts |
| s. Strap | 300 Juliets and House |
| | 400 High, house |
| | 500 Mountain boots |
| H. Season of spring, 1919 | L. Season of spring, 1921 |
| I. Season of fall, 1919 | M. Season of fall, 1921 |
| J. Season of spring, 1920 | N. Season of spring, 1922 |
| K. Season of fall, 1920 | O. Season of fall, 1922 |

## CHILDREN'S STOCK NUMBERS

The first figure shows the run of sizes, digits 9 to 4 (inclusive) being for females, and digits 3 to 0 (inclusive) for males:

| Females | Males |
|---|---|
| 9. Women's, $2\frac{1}{2}$ to 7 | 3. Boys', $2\frac{1}{2}$ to 6 |
| 8. Misses', $11\frac{1}{2}$ to 2 | 2. Youths', $13\frac{1}{2}$ to 2 |
| 7. Children's, $8\frac{1}{2}$ to 11 | 1. Little gents', $8\frac{1}{2}$ to 13 |
| 6. Children's, 4 to 8 | 0. Soft soles, 00 to 4 |
| 5. Infants', 2 to $5\frac{1}{2}$ | |
| 4. First steps, 1 to 5 | |

The second figure indicates the kind of material:

| | |
|---|---|
| 1. Patent | 6. Other colored leathers |
| 2. Kid | 7. Fabrics |
| 3. Calf | 8. White leathers |
| 4. Tan | 9. White canvas |
| 5. Elk skin and brown kids | |

The third figure or the third and fourth figures indicate style features, as follows:

| | Regular Height | Pony Napoleon or Roman Sandal | Jockey or High Roman Sandal |
|---|---|---|---|
| Black mat top or same as vamp | 1–19 | 46–47 | 66–67 |
| Scuffer last | 12–13 | ——— | ——— |
| Black cloth top | 20–23 | 48–49 | 68–69 |
| Black suede or cloth top | 24–25 | ——— | ——— |
| Black velvet top | 26–27 | ——— | ——— |
| Black silk top | 28–29 | ——— | ——— |
| Brown top | 30–31 | 50–51 | 70–71 |
| Red top | 32–33 | 52–53 | 72–73 |

| | Regular Height | Pony Napoleon or Roman Sandal | Jockey or High Roman Sandal |
|---|---|---|---|
| White top | 34–35 | 54–55 | 74–75 |
| Blue top | 36–37 | 56–57 | 76–77 |
| Pink top | 38–39 | 58–59 | 78–79 |
| Champagne top | 40–41 | 60–61 | 80–81 |
| Tops of other colors | 42–45 | 62–65 | 82–83 |

The last figure indicates the fastening:

Even, button; odd, lace. X indicates oxford.

For instance, 2601 under this system is the best quality kid boot in turn soles; 5725 is a brown kid welt, medium priced. P2650 is a black kid turn pump; X8745 is a white kid welt oxford, medium priced.

The letter indicating the seasons is stamped on the lining by the factory and also on the cartons in front of the stock number. This symbol enables the stores to push the older goods and assists in the making of adjustments or, if necessary, the charging back of shoes to the factory.

If the salesman remembers only the first figure, for the leather, he has the backbone of the system, and it is then easy for him to locate any of the shoes in stock.

## STOCK LETTERING

For a small stock, where there are only a few styles in each leather and kind, the dealer may prefer to use group markings without stock numbers. Thus one merchant figures that there are

five principal kinds of leathers: dull, tan, patent, kid and white. Also there are three principal styles: button, lace and pump. The initials of these kinds, therefore, he suggests using as follows:

MEN'S SCHEDULE

| | |
|---|---|
| DB — Dull button | PL — Patent lace |
| TB — Tan button | KL — Kangaroo or kid lace |
| PB — Patent button | WL — White lace |
| KB — Kangaroo or Kid button | DP — Dull pump |
| | TP — Tan pump |
| WB — White button | PP — Patent pump |
| DL — Dull lace | KP — Kid pump |
| TL — Tan lace | WP — White pump |

For women's lines, use O *before* each, as OPP — Women's patent pump.

For oxford lines use X *after* each, as PBX — Patent button oxford

For children's lines, use C *before* each, as CTB — Children's tan button.

This system has in its favor the fact that it provides for a few divisions, and these are permanent. Other lines, such as rubbers, slippers, tennis shoes and findings, adapt themselves to individual letters. The system can be enlarged upon by distinguishing between bals and bluchers, high and low heels, low and high-price grades, and so forth.

If the stock is large enough to justify much expansion, however, it is better to have a good series of stock numbers, so that a separate record can be kept of each style, as the efficient regula-

tion of all except the smallest stock demands. If the dealer prefers, he can make up a combined stock-lettering and stock-numbering system, wherein the numbers will serve to distinguish the styles in each lettered division. Some believe that the salesmen can remember the meaning of the letter markings more easily than they can that of the numbers, and that the combined system secures simplicity without sacrificing exactness.

### LEARN STOCK-NUMBERING SYSTEM

Whatever stock numbering is used the salesman should have an accurate knowledge of its divisions. It is to be understood, of course, that the systems described are not to be considered as exclusive models but as specimens from hundreds to be found in practice. To secure a thorough working knowledge of the numbering system, the salesman needs to memorize the list of groups which make up the classification, and the block of numbers or special symbols assigned to each group. It is to the advantage of every dealer to have a style record of some sort, either a book containing the assignment of blocks with a full description of the style covered by each, or a chart indicating the meaning of each symbol used in the numbering. If such an exhibit is not available, the salesman should draw up a rough one for himself, in order that he may have the whole outline right before his eyes until it

has become a part of his permanent memory store.

Some retailers, as previously stated, use stock numbers and others do not. When such numbers are used, however, they are employed not only because they are a form of shorthand which makes the carton labels look neater than if crowded with many written details, but also because they facilitate the arrangement of stock, the filling in of shoes from the reserve supply and the keeping of stock records. These points will be explained later. They are mentioned now to emphasize the fact that stock numbers are not merely a form of business fad but rather a scientific method of modern business management. They are valuable aids in efficient stockkeeping and they merit careful memorizing and exact handling.

# CHAPTER III

## ARRANGEMENT OF STOCK

### PART PLAYED BY STOCK NUMBERS

A second important feature of stock classification is that of the arrangement of the various groups on the shelves. Whether or not stock numbers are used, the main problem is to place the groups of goods in their proper order. When stock numbers are not used, the order of the goods depends upon certain factors which will be discussed presently. When stock numbers are used, the order of the goods may be to a large extent determined by the numbers. But to begin with, it must be assumed that numbers have been used according to a definitely worked out, systematic plan.

In other words, the final arrangement of the goods on the shelves must be considered before the assignment of stock numbers, so that the stock when arranged will run generally in numerical order. Such is the case with the Van Degrift stock-number system previously described. This enables the company to arrange the stock in "snake" fashion in the same general order as the stock numbers. Thus the first division of women's shoes consists of patent highs,

which are divided first into fancy tops, with the highest priced ones in the lead. Next come turn patents, welt patents, turn comfort patents and, if any, welt comfort patents, each being subdivided as above. The same plan may be followed when the block number system is used; that is, the blocks may be allotted to groups in such a way that the desired order of goods will find itself expressed in a regular order of stock numbers.

No arrangement of goods, however, will follow the exact order of the stock numbers throughout the entire line. One obstacle is the fact that stock numbers cover goods of all seasons. Consequently when the non-seasonal supply is separated from the forward stock, the stock numbers of the latter will show gaps. Another obstacle arises when block numbers are used, for it may be necessary to give a new style a stock number which, although in the same block, will not fit in exactly with the stock numbers of other shoes at the same price. In all systems of stock numbering, therefore, there may be some slight deviation from a strictly numerical order even though the arrangement to be adopted has been clearly outlined beforehand in the dealer's mind.

### FACTORS AFFECTING ARRANGEMENT

The main arrangement of shoes is based on present salability of the stock and working effi-

ciency of the sales force. Every pair of shoes is to be sold and sold efficiently, it is true, but just consider some of the possible distinctions. Here are the highest priced goods, which, if the percentage of profit on the selling price is the same, are more desirable for sale than the lower priced shoes. Here is the reserve stock, which is not needed now and should not occupy the most accessible locations. Here is the out-of-season supply, which need not be the most prominent or the most readily available. Here are the P. M. shoes, which demand prompt sale, but not at the expense of the customer's satisfaction. And there is the order of sizes and widths — not a matter of present salability but of the salesman's speed in getting out the desired pair.

It would be useless to attempt to outline any *one* arrangement of stock to give proper consideration to all these points. Stores differ in size and equipment; retailers differ in their natural likings for various practices in stock arrangement. Certain general methods of arrangement, however, have been found to work out most advantageously to retail success.

## ORDER OF FORWARD STOCK

Consideration will be given first to the matter of forward stock — the regular stock being offered to satisfy the present seasonal trade. The first requisite, naturally, is the separation of the

various kinds; men's, women's, children's and so forth. But then what? Practices differ, depending upon the retailer's judgment as to the paramount importance of price. Most retailers make leather the first basis of sub-division, with the highest priced leather first and the highest priced style in each leather first. Some dealers, however, attach so much importance to price that they make the first sub-division on the basis of price; each price group thus containing different leathers. Whichever policy is adopted, the following sub-divisions serve to bring out distinctly the other aspects of style, so that the unit of the arrangement is a group of sizes and widths of just one style.

The highest priced goods in some form, therefore, come first in the shelf arrangement. But where should the starting point be? At the end of the shelving near the entrance. If the store has shelving on only one side, then the stock arrangement (for either men's or women's shoes) should start at the front regardless of whether the shelves are on the left-hand or the right-hand side of the entrance. If two-wall shelving is used, then the highest priced men's shoes may be started on the left and the highest priced women's shoes on the right, or vice versa. The day of "cheap goods" to the front has gone, and an understanding of this fact should be shown by the stock arrangement. Most customers stop near the front of the store, and the

best shoes should be where they can be gotten out most quickly. Every customer may not be willing to buy the best grade, but such shoes should have every chance that quick service gives.

### EXAMPLES OF FORWARD STOCK ARRANGEMENT

Some examples of forward stock arrangement are given in the following cases. Incidentally these illustrate how there may be differences in the order of the higher priced leathers.

W. C. Goodwin, Fitchburg, Mass. — "We have plenty of room and no cartons are placed higher than the salesman can reach. On the men's side we begin with black high shoes, best grade, and we run the stock down to the lowest grade; then we run through the tans and the oxfords in the same way. Boys' shoes we place next. On the women's side we put first the best grade of black and colored boots, down to the lowest grade, and then tan boots. We arrange women's oxfords and pumps in a middle cabinet. Children's and misses' are in the rear."

Jacobs Brothers, New Orleans, La. — "During the low shoe season, for example, our stock is arranged as follows on the lower shelves: starting at left (front) short lots of low shoes (except white and walking oxfords); fancy, including gold, silver and satin novelties; patent lows (high heel turns, low heel turns, then welts); other black lows. Starting at the right

front — short lots (white and walking shoes); white, tan. In each style the highest price leads. Felt slippers, etc., are carried on upper shelves on the left, and boots on such shelves at the right."

Jones, Peterson & Newhall Company, Boston, Mass. — "Our low shoe stock for men on the right at the back begins with a P. M. section for black oxfords. Then comes the regular black oxford stock, the lowest price first; the oxfords of each price run narrow toe, medium toe, wide toe. Next comes the glazed kid section, and then the patent leather section, each with a P. M. at its head. This places the highest priced black oxfords at the front on the right side of the entrance. The stock is then continued down the left side for tans, whites, slippers, etc."

Regal Shoe Company, Boston, Mass. — "The arrangement that has been used with success in our stores for more than three years is based on the following system:

A. Oxfords:

1. The cartons are arranged according to leathers, and each group is separated according to patterns (bal, blucher, button).
2. Each pattern is divided into classes that are arranged in order according to the price: the highest price first, the lowest price last.
3. In case there are two or more different styles in the same class, these styles are arranged in order according to the width

of the toe: the narrowest toe first, the widest toe last.

4. Every style is arranged according to width: the narrowest width first, and the widest width last.
5. Every width is arranged according to size: the smallest size first, the largest size last.

B. High Shoes:

The same arrangement applies to high shoes.

"As one enters the store and faces the rear, the arrangement begins with the shelving on the left-hand side, at the front. It continues along the left-hand wall, until the rear of the store is reached. Thence the same arrangement from left to right continues along the right-hand wall until the front of the store is reached."

These examples show how leathers can be grouped before any division is made on the basis of price. An instance, however, of preference for a division first according to price, with a resultant splitting of the leather groups, is the following:

A. V. Holbrook Bootery Company, Columbus, Ohio —

"In our shelving (on the right-hand side of the entrance) we start at the bottom of the first section in front the highest priced shoes in all black leathers, and put next the same priced shoes in tans and those in patents. Following these we place the next priced blacks, tans, etc. The sequence of the opening groups might thus be:

black calf, $16; black kid, $16; tan calf, $16; tan kid, $16; patent, $16; black calf, $14; black kid, $14; etc."

This is undoubtedly a convenient arrangement for handling a customer who knows what he wants to spend and is not particular about the leather. Most dealers, however, feel that the average customer is less certain about the price than about leather and especially color, and they find it more satisfactory to keep the various grades of each leather together.

Whatever arrangement is used for forward stock, it should be adhered to closely. When a new style comes in, it may at times be troublesome for the salesman to shift the stock so that the new shoes can be placed exactly where they belong, with similar stock of the same price. This should be done, however, for much valuable time can be lost and much more weighty trouble caused if the salesman later has to run from one stock location to another. Stock order must be complete.

## LOCATION OF NON-SEASONAL STOCK

A shoe store usually has on hand more than seasonal stock. It generally contains some unsold stock of past seasons, and perhaps some advance deliveries for the coming season. In spite of clearance sales, for example, it may be necessary to carry some white goods over the

winter months. And, of course, there is always a supply of boots to be carried through the summer.

Such non-seasonal lines are more or less inactive; a condition that does not justify them in occupying the most advantageous locations. At times, therefore, it is advisable to make shifts in the stock so as to place the newly active lines where they are most accessible. Owing to the marked differences between warm-weather and cold-weather footwear, there are two main shifts — in February or March, as the new light spring footwear comes into prominence, and in August or September, as the business in the heavy fall styles opens up.

What is done at these times depends upon the sort of facilities that are available in the store. If the shelving is low and there is plenty of room, the non-seasonal stock is best handled by placing it toward the rear of the store in the sections more inconveniently reached for most customers. If there is not room for both active and inactive stock on the shelves, the latter should be placed in the storeroom (presumably there is such, if the shelving is low). The following is the plan used by Regal stores where the shelving capacity is limited. During the high shoe season, the oxfords are stored in the stock room; during the oxford season, the arrangement is reversed.

If overhead shelving is used, then it is possible to place the non-seasonal stock at the

top, so that the ladder must be used to reach it. Thus the lower and more accessible shelves are left for the active lines. In some stores, under such circumstances, the high shoes during their season are arranged on the lower shelves, starting from the bottom shelf and continuing up as far as the average salesman can conveniently reach. The oxfords are arranged on the upper shelves, starting from the first empty shelf above the high shoes and continuing to the top. During the oxford season the arrangement is reversed. Jacobs Brothers, New Orleans, La., use a single-spaced shelving, thirty cartons high, and they place the seasonal merchandise on the bottom seventeen rows and the non-seasonal goods on the top thirteen. A variation of this idea is that used by Cohen Brothers, Jacksonville, Fla., who use a reserve balcony for boots in summer and low shoes in winter.

Mention has already been made of the detailed stock-numbering system used by the Van Degrift Shoe Company, Los Angeles, California, and of the arrangement of the goods in snake fashion according to numerical order. The arrangement does not follow the stock numbers from first to last, however, because non-seasonal goods are lifted out of the regular numerical running order. In the winter the company has high shoes in the lower run, and during the summer it places the low shoes within reach of the floor.

Figure 1 gives an example in skeleton form of how the stock numbers then run for the summer season.

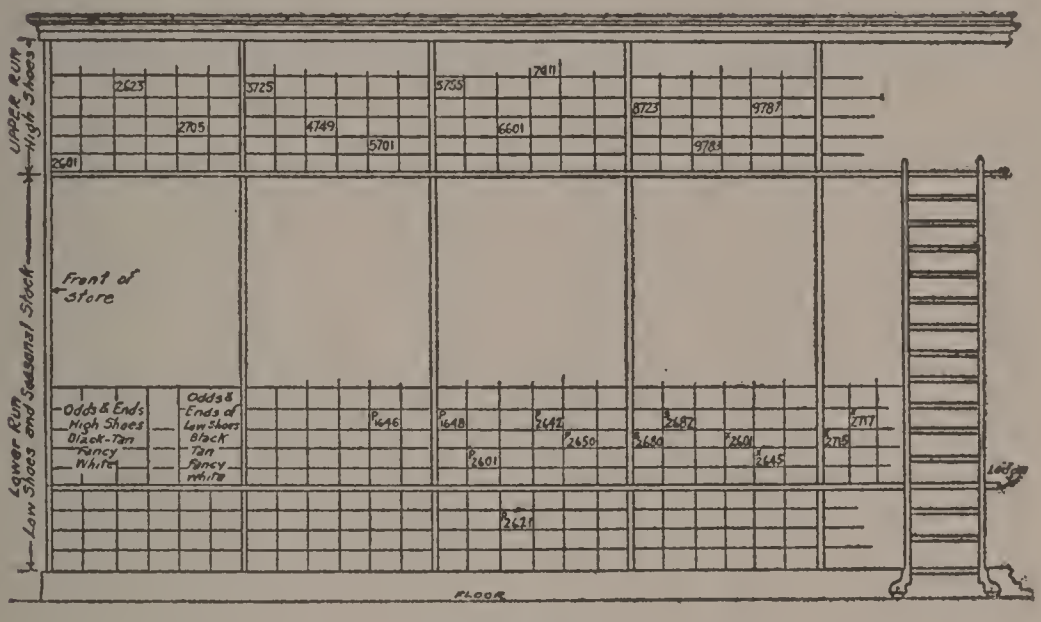



FIGURE 1

William Filene's Sons Company, Boston, Mass., has a way of handling active and inactive lines that is worth special mention. The women's shoe section of this department store uses two-faced cabinets arranged parallel with the ends toward the fitting space. These cabinets contain the active lines. Behind the back ends of these cabinets, along the boundary of the department, run some single-faced cabinets that hold the non-seasonal stock. The boots that these cabinets contain in the summer, for instance, are farthest from the selling space, but when desired they can be reached through the aisles between the cabinets of the active lines.

All the stock containers are in the form of interchangeable drawers. This makes shifting easy at the ends of seasons.

### WHERE TO PUT P. M. GOODS

Old stock, odd sizes, slow movers — this sort of merchandise is at best a serious problem in store management, for no retailer can afford to keep much capital tied up in non-selling goods. If such stock is difficult to recognize and reach, the problem is worse, because the disposal of the goods is not made as easy as possible for the salesman. Retailers differ, however, as to their practices in giving preferred positions on the shelves to such stock.

About the least that can be done with old or broken lines is to leave them in their regular location and post a list of them; a list also being given to each salesman. The objection to this plan is that the lists, even if their existence is remembered, are not always easily consulted in the rush of business, and valuable opportunities to dispose of "shelf-warmers" may be lost.

A second plan, useful for a nearly depleted line which is to be discontinued, is to size-in the short lot with a similar style which is a good seller. For instance, four pairs of men's patent button shoes, narrow toes, regular $1\frac{1}{4}$ inch heels, style 824, selling at $8, may be fitted in with a new English last, low heel, patent button boot, style 832, selling for $7.50. The only procedure

necessary is to change the stock numbers on the odd shoes, record the change in the style book, re-mark the shoes and put them in the proper place in the new line. It is surprising how well the odd pairs have been found to sell along with the new stock in most cases.

If the desire is to put special selling effort on the odd pairs, it may be advisable to follow a third plan of giving the cartons a special mark, whether in their regular location or a new one, and adding a P. M. One way is to use a red-ink mark, which should mean to every salesman a stock danger mark unless a quick sale is made. Another way is to paste on the end of the carton a small sticker giving in code or in figures the amount of premium collectible.

Many dealers, however, go farther than the mere placing of P. M. indicators on the cartons; they follow a fourth practice of pulling out the P. M. goods and giving them one or more special locations. The line of division between the third and fourth practices is not exact, for some dealers leave reasonably long and full P. M. lines in the regular stock. However, the general tendency is to place all P. M. goods in special sections. These may be at or near the front, at the head of each leather group, or at points closest to the fitting space. Figure 1 illustrates a front location.

The use of special P. M. sections, prominently located, is the surest means of overcoming the

natural tendency of dealers and salesmen to overlook goods that have been in stock for some time, or goods that are selling slowly. Such lay-outs do give a jumble of styles and sizes, but they help to get rid of shelf-warmers while they can still be sold at a fair price. The salesman, however, must never let the prominence given to P. M. goods (or his own financial reward) induce him to force such stock to the extent of misrepresentation or poor service to the customer.

### ARRANGEMENT OF RESERVE STOCK

When the forward stock contains only a pair or two of each size and width, and a reserve supply is carried outside, attention must be given to the arrangement of this supply. Some dealers do not have any store room but carry reserve stock in a special part of their main shelving. Such is quite likely to be the case when the double condition is found of a small stock and shelving carried up to the ceiling. Then the only sensible procedure is to put the reserve stock on an upper tier and arrange it in the same order as the forward stock, so that any desired pair can be located without delay.

If a stock room is used, the order therein depends upon the merchant's answer to this question — shall the reserve stock be arranged *exactly* as the forward stock is? One group of dealers holds that the best results are obtained

when the reserve supply is arranged after the fashion of the selling floor as far as the space peculiarities of the stock room permit. Another group maintains that no matter to what extent the forward stock arrangement shows variation in the running order of stock numbers, efficiency in the stock room requires that the shoes be arranged exactly according to such numbers — for example, 0227 could never be anywhere else but immediately after 0226, regardless of the fact that the former may be a French heel pump and the latter a Cuban heel walking oxford.

The advantage of the strictly numerical arrangement is said to be that it permits a more rapid getting out of stock by the less expert sales or stock people. When the stock room is divided into numerical sections and a diagram is posted to show how the stock numbers fit into these sections, a stock boy can locate the shoes of any number very easily. If his duty is merely to deliver the desired pairs to the salesman, he does not need to learn the general classification; in each case he needs to think of only the stock number, not its meaning, and to use his eyes in finding it quickly.

On the other hand, unless the stock boy puts the fill-in shoes in the forward sections, the strictly numerical system does not educate him in the handling of the general stock classification. This he must know thoroughly when he becomes a salesman. Nor does it enable reserve

goods to be shifted so that seasonal merchandise is in the most convenient sections of the store room. When it is remembered, therefore, that under a well-devised stock-numbering system there is on the forward shelves an orderly arrangement of various groups of almost consecutive numbers, it should be evident that the application of the same plan to the reserve shelves will create little if any difficulty for the stock boys. All they need to bear in mind is that certain groups of numbers are in certain places. With sets of numbers thus pigeon-holed, they can with all desirable ease locate any numbers.

General preference seems to be in favor of arranging reserve stock in exactly the same order as the forward stock. Only when the forward stock follows a perfect numerical order, therefore, is it at all necessary for the reserve supply to be similarly arranged.

### ORDER OF SIZES AND WIDTHS

Up to this point the discussion has been concerned with the major divisions of the stock, and nothing has been said regarding the order of sizes and widths. It is necessary for a store to have a uniform policy in this respect for its forward, non-seasonal and reserve stocks. What shall it be?

Every style starts out with a run of pairs that vary in two particulars — size and width. The first question for the management to decide,

therefore, is which shall be made the basis for shelf arrangement. It is customary to begin with the smallest size and end with the largest. But shall all the different widths of one size be placed together in consecutive order (such as, 6AA, 6A, 6B, 6C, 6D, etc.), or shall all sizes of one width be grouped (such as, 4AA, $4\frac{1}{2}$AA, 5AA, $5\frac{1}{2}$AA, 6AA, etc.)?

Most dealers keep all sizes of one width together, but some object to this practice for the following reason: The salesman generally gets the length right by measurement, but has to try out the width by fitting. When the various widths of a size are separated, he may have to climb up or down the ladder to find the desired width if the cartons run up and down. Even if low shelving is used, the salesman has to hop around because the widths are separated by size runs of perhaps twenty cartons (if two pairs of center sizes are kept forward). On the other hand, when all widths of a size are kept together, the amount of moving necessary for the salesman is reduced to the minimum, for the desired width is somewhere within the range of five or six cartons. Hence from the point of view of time and motion saving, there is probably a slight advantage in combining widths rather than sizes. The ideal arrangement is to use a whole up-and-down column for each width, so that each horizontal row shows only one size. However, where lines are not being constantly kept

full, the system results in too many empty spaces to be practical for the main stock.

### FILLING IN THE SHELVES

But another point must be considered before the shoes can be placed on the shelves. Every section of shelving has more than one possible starting point for the arrangement of pairs. Where shall the first pair be placed, and in which direction shall the following ones go?

Some dealers run the cartons up from the bottom until the first vertical row is filled, then up again in the second row and so on through the stock. Others use a likewise vertical arrangement but begin each row at the top. Others run up the first row and down the second. Still others favor a horizontal plan and fill the entire bottom row first, then the second row from the bottom and so on, beginning at the left or right-hand end of the shelf, depending upon whether the section is on the left or right-hand side of the store. In any case a lot that does not quite go into a section is carried over to the proper point of the following section.

The accompanying diagrams illustrate some of these plans.

Figure 2a illustrates the horizontal left-to-right plan followed by the stores of the Regal Shoe Company. Notice that the narrowest width opens the arrangement in the bottom left-hand corner, and that each shelf is filled from

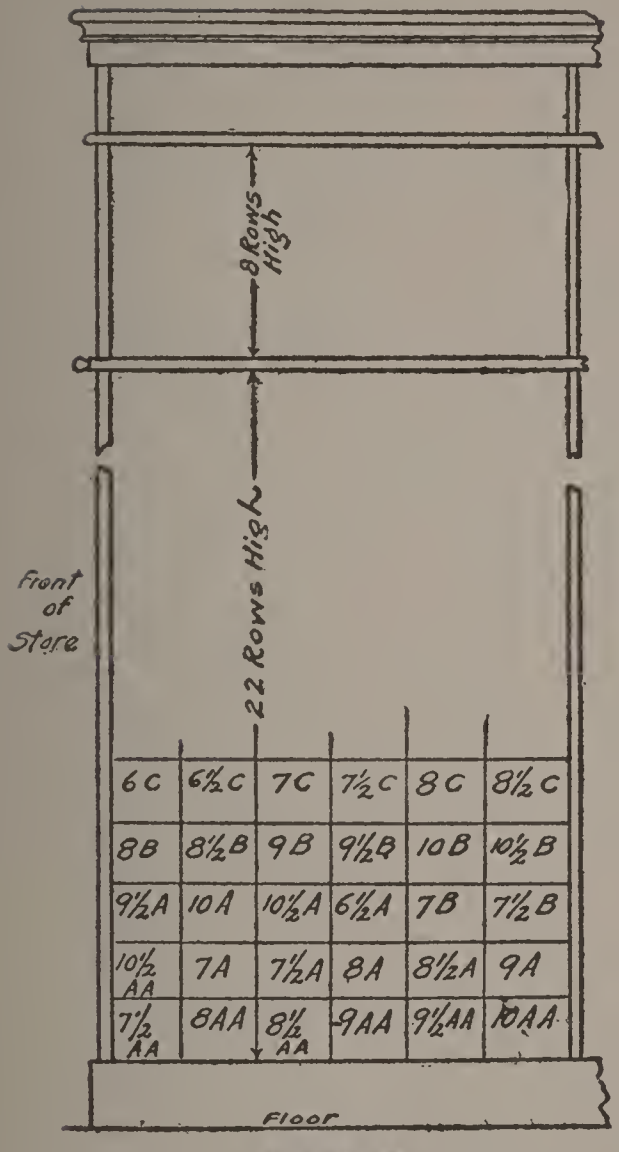

8 Rows High
22 Rows High
Front of Store
6C 6½C 7C 7½C 8C 8½C
8B 8½B 9B 9½B 10B 10½B
9½A 10A 10½A 6½A 7B 7½B
10½ AA 7A 7½A 8A 8½A 9A
7½ AA 8AA 8½ AA 9AA 9½AA 10AA
Floor

FIGURE 2a.

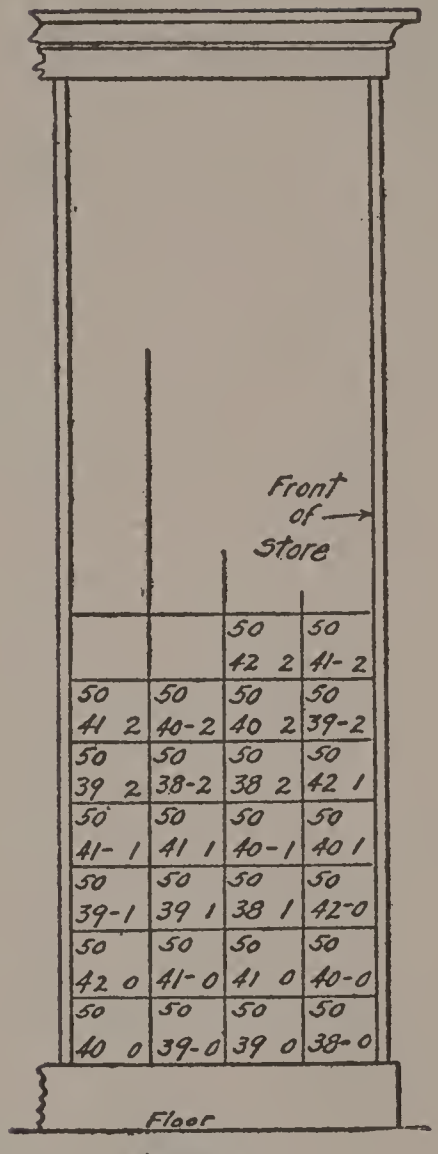



FIGURE 2b.

| | | | | | |
|---|---|---|---|---|---|
| 901/4AA | 901/6AA | 901/5½A | 901/5B | 902/7AA | 902/6½A |
| 901/4½AA | 901/7AA | 901/6A | 902/4½AA | 902/4A | 902/7A |
| 901/4½AA | 901/4A | 901/6½A | 902/5½AA | 902/4½A | 902/4B |
| 901/5AA | 901/4½A | 901/4B | 902/6AA | 902/5A | 902/4½B |
| 901/5½AA | 901/5A | 901/4½B | 902/6½AA | 902/6A | 902/5B. |

FIGURE 2c.

## SHOE CARTON ARRANGEMENT ON STOCK SHELVES

the left-hand end. Figure 2b gives an arrangement that is suitable for a store with all or part of its shelving on the right-hand side of the entrance. This plan, used by the A. V. Holbrook Bootery Company, Columbus, Ohio, is merely the reverse of the horizontal one shown in Figure 2a. The bottom shelf is the first one filled, as before, but on this and the shelves above the cartons are run in from the right-hand end. Figure 2c shows the vertical top-to-bottom arrangement used by Cohen Brothers, Jacksonville, Fla. The smallest size in the narrowest width starts at the upper left-hand corner; the larger sizes in this width continue down the first row and are carried over to the top of the second row; then comes the smallest size in the next broader width.

The size numbers as shown in Figure 2b are based upon the French marking system. The following gives a comparison of the English and French standards. Thus the French marking on a $4\frac{1}{2}$ C shoe would be 36 — 3; using a dash for the half size and 3 for the width.

LENGTHS

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| English .. | 2 | $2\frac{1}{2}$ | 3 | $3\frac{1}{2}$ | 4 | $4\frac{1}{2}$ | 5 | $5\frac{1}{2}$ | 6 | $6\frac{1}{2}$ | 7 | $7\frac{1}{2}$ | 8 |
| French .. | 34 | 34— | 35 | 35— | 36 | 36— | 37 | 37— | 38 | 38— | 39 | 39— | 40 |

WIDTHS

| | | | | | | |
|---|---|---|---|---|---|---|
| English ..... | AA | A | B | C | D | E |
| French ..... | 0 | 1 | 2 | 3 | 4 | 5 |

The chief point of difference in the several ways of filling the shelves of a section is in the

horizontal or vertical line-up of consecutive cartons. It is believed by some that the horizontal filing is as simple for finding sizes as the other, and that stock arranged thus can be shifted more easily when the occasion demands. It is also said that on this basis the stock can be filled in more easily after heavy sales. The point in the latter instances is that the salesman can handle a long series of cartons in one style without having to climb up and down.

Nevertheless, the objection is made by others that if the cartons are run cross-wise on the shelves this results in bringing some entire lines of shoes high up and out of easy reach. As a result such lines are shown less frequently and sold less rapidly. It is said that if the salesman has to make a big effort to climb the ladder for them he may be tempted, to some extent, to disregard the merit of the goods. On the other hand, if low shelving is used, as is the practice in many cases, this objection has no weight. Even with high shelving the objection may be overcome by using the upper tier for non-seasonal goods, reserve stock or special lines (felt slippers, boudoir slippers, etc.). In cases where high shelving *must* be filled with active stock, it may be advisable to use vertical filing, so that part of every line is sure to be within convenient reach. Otherwise it appears that the demands of service to both customer and merchant can be best met when the salesman has to deal with a horizontal arrangement.

### ORDER FOR SPECIAL LINES

Ordinarily the sectional arrangement that is used for the main lines of shoes is utilized also in the case of the special lines like felt slippers, boudoir slippers, mules, rubbers. That is, if the pairs in main lines are arranged by widths or by sizes, the cartons in the other lines are arranged similarly. The smaller amount of stock in the special lines, however, and the smaller number of variations sometimes lead to the adoption of a different order for such lines.

A notable instance of this sort is given by Filene's, Boston. In the women's shoe section there is a special cabinet of drawers. Each vertical row of drawers contains a run of sizes as follows, from the bottom up: $2\frac{1}{2}$ and 3, $3\frac{1}{2}$ and 4, $4\frac{1}{2}$ and 5, $5\frac{1}{2}$ and 6, $6\frac{1}{2}$ and 7, $7\frac{1}{2}$ and 8, $8\frac{1}{2}$ and 9. What such a row is used for depends upon the stock. In the case of rubbers, it indicates a certain width. In the case of boudoir slippers, it may in addition indicate a certain color. Thus the salesman, by finding the intersection of the proper vertical and horizontal rows, can instantly get what he is looking for.

### ORDER IN P. M. SECTIONS

All the arrangements thus far discussed have been founded on the idea that no matter what may be the basis of the first division in each kind of shoes (price or style) or of the last

division (size or width), all shoes under one stock number belong together. This assumption is questionable, however, in the case of special P. M. sections.

Some likeness of the old order may be attempted in such sections. If the merchant is interested primarily in cleaning out every shoe of any P. M. line, he may insist upon keeping an order entirely by styles, so that the salesman can see at a glance just how many pairs of any particular style are still on hand. The general belief, however, is that it is of less consequence to spend time trying to find some one to buy the last pair of a particular line than it is to get rid of some P. M. pair, whatever may be its style. For this reason a classification by styles is generally not adhered to closely in P. M. sections, if it is used at all.

The degree to which P. M. shoes of one style are kept together is sometimes determined by the length of that line. When the line is reasonably long, with sizes complete or nearly so, it may be kept separate as a particular style group. One dealer sets the minimum limit of a style group at twelve pairs. When the line becomes short, it is grouped with other short lines by sizes.

This is the real characteristic of P. M. arrangement — grouping by sizes regardless of stock numbers. If the P. M. section is large enough, it is often advisable to put the same leathers to-

gether, separating lows and highs but disregarding stock numbers and sorting by sizes. When a customer wants a brown shoe or a fabric shoe or a leather shoe all that a good salesman needs is the size. He can generally sell whatever style he happens to have in the desired material.

Some retailers consider it best even to disregard leather distinctions and to run all P. M.'s on one basis — *size*. The salesman then can see at a glance without going over several groups, whether he can fit the customer. If he has any leathers in the desired size, he can start at once to tell their advantage.

### ARRANGEMENT OF FINDINGS

The arrangement of findings is treated separately because of another principle involved. Order among shoes is necessary so that they can be gotten out quickly for customers. With the exception of stock in the windows or in show cases, shoes are not arranged for display. Under the most orderly arrangement one carton looks just like any other to the customer, for he does not see the goods inside. But display as well as order is necessary for findings. Every household needs polish, laces, buckles, rubber heels, etc. However, the sale of such articles is easier when they are displayed so well that the customer cannot fail to notice them while in the store or recall them later as needs arise.

If arrangement of findings is a matter, then,

of both order and display, what practical points should the salesman know? As for order, a simple arrangement is sufficient. Each sort of finding in a group by itself, and this group divided according to color (polishes, laces, rubber heels, hosiery), length (laces), size (rubber heels, hosiery), material (buckles), etc. — this is the essence of order. One other point, however, deserves special comment. Some findings, such as laces, are occasionally given free with purchases, although this practice is gradually dying out. The particular ones that are to be so distributed should be kept separate from the ones to be sold, and the salesman should be careful to observe the distinction, so as not to mix up the records.

In regard to display, the only point that needs mention here is that of location. Findings should not be hidden in the rear of the store. Whatever display fixtures are employed, floor or wall show cases, they should be placed near the front part of the store, so that they will attract the attention of every one who enters. If there is a hosiery department, it will perhaps be expedient to place the other findings nearby so that they can all be handled by the same salesperson. Under this condition it may not be possible to offer the combined service at the very front of the store, but an effort should be made to locate the display cases as prominently as possible.

# CHAPTER IV

## CARE OF STOCK

### TAKING A PERSONAL INTEREST IN THE STOCK

All stock, let us now assume, has been placed properly in the store equipment according to the needs and the possibilities of the space and the stock, and the actual selling work is under way. Has the salesman then merely the responsibility of seeing that each pair is sold? Primarily that is his duty, but if he is thoroughly alive to his possibilities he will not merely sit down and wait for something to happen. Every minute he will be on the alert to see that his stock is in the best possible condition for all customers who may come. In short he will take the proper care of his stock.

The relation of careful stockkeeping to successful selling is a new idea to some salesmen. They know, in general, that some one must look after the stock, but they do not realize the disastrous results of neglect when each salesman does not do his full share. The salesman should understand, for example, that unclean, damaged, shopworn merchandise must lead finally to the mark-down sale, and that a store or department

which resorts frequently to such sales to secure money for new stock is not in a prosperous condition. He should know that a business not yielding a good profit cannot prosper and move ahead, nor can its salespeople. Appreciating all these facts the simple but necessary requirements for taking care of stock become vested with a new interest.

Care of the stock is concerned with details, but these can be divided roughly into three groups. One group contains those that have to do with the appearance of the stock. The second contains those connected with the return of unsold pairs to the shelves. The last contains those that pertain to the maintenance of full lines in the forward stock. Let us consider first, then, the various matters of appearance.

## KEEPING DOWN THE DUST

If stock is to be kept clean, the immediate surroundings of the stock must be clean. Attention to this may be based on so simple a matter as the sweeping of the floor. Keeping dust from getting on the equipment and the cartons is better than removing it from them.

Salesmen do not sweep, as a rule, but it does not hurt them to know how this work should be done. Some stores employ a water sprinkler, merely sprinkling the floor before sweeping. Although this will keep the dust down while sweeping, the water causes so much of the dust to ad-

here to the floor that a good job of sweeping cannot be done. After the water dries the tramping of salesmen and customers causes much of the dust to rise and settle on the goods.

A method which is fast losing favor is that of dampening the floor or broom with kerosene. No floor is more unattractive than a spotted oil floor, and the kerosene odor is very offensive to some people. Another great disadvantage of oil is that it adds to the fire risk. The well-kept modern store scrubs its floors about once every week, but it is of little use to scrub oiled floors, as the spots will make the floor look worse than it was before it was scrubbed.

Dampened sawdust has been tried by many merchants who have found kerosene to be a failure. This, however, is very inconvenient. The sawdust is troublesome to handle and because of its lightness is likely to scatter and get into cracks and crannies, where it cannot be easily removed.

The best method is that of using prepared sweeping compounds. These compounds absorb the dust. They can be used with excellent effect on plain wood floors and also for cleaning carpets, tiling and linoleum. Such compounds are inexpensive. They can be used over many times before they become entirely saturated with dust. Furthermore, they do away with the danger of fire because of the fact that the compounds will not readily burn. For the cleaning

of carpets and other similar coverings there is, of course, nothing better than the vacuum cleaner.

Whatever method of cleaning is used, some dust is sure to get on the equipment. Dirt and small scraps of all kinds are likely also to accumulate behind cartons and in drawers. At regular intervals, therefore, there should be a general cleaning to make every bit of equipment look spic and span. Dust cloths should be used every day on the seats, fixtures and the show cases, but every week some kind of furniture and glass polish should be rubbed on this equipment where needed. Every week, too, the cartons and the stock in drawers should be moved and dusted. It is not the most pleasant occupation in the world to make such a clean-up once a week, but this practice helps to preserve the cartons and stock, and offers to customers a more pleasing surrounding.

Whenever, in cleaning the equipment, the salesman finds that any repairs are needed, he should report these at once. A broken glass in a case, a handle off a drawer, a smashed carton, a loose step in the ladder, a torn or worn-out spot in the leather, rubber or cloth top of a fitting stool — such things demand immediate attention. Sometimes a salesman can repair the damage himself; if not, he should not rest with reporting the need but should follow up the case until the repair is made.

## KEEPING THE STOCK ATTRACTIVE

Even though most of the stock in a shoe store is boxed, it is necessary for the salesman to go over the boxes in a regular and systematic manner to see that merchandise is in perfect condition. The most obvious requirements are freedom of the shoes from dust, and clean tissue paper in each carton. But there are other important requirements, among which may be mentioned the following:

1. Button shoes should be neatly buttoned whenever they are put in the cartons. If a button has become detached in fitting, the defect should be remedied before the shoes are put back upon the shelf.

2. A damp wall will cause the shanks of the buttons to rust if left long without attention. A close inspection of stock may be the only means of discovering such a condition. The remedy is to remove the cause of the trouble or to make the necessary rearrangement of stock.

3. Sometimes the leather grows dull (especially in the case of patent leather), and needs rubbing up with a dry polishing cloth. Unnatural dullness does not increase the customer's desire for the goods.

4. Faded or streaked laces detract from a shoe's appearance and should be replaced. If the laces that come with the shoes are so poor in quality that it seems advisable for the merchant

to give a good pair free, it is at least worth considering whether it would not be wiser, for appearance's sake, to take out the poor laces and insert good ones.

5. Shoes that customers have returned should not be placed on the shelves until every effort has been made to make them look as fresh and new as if they had just come from the factory.

6. When the salesman removes shoes from the cartons for fitting, he should handle them carefully. This applies more especially to white and light-colored leathers. Careful handling not only avoids a depreciation in value through damage, but also impresses the customer favorably. When the salesman carries and handles a pair of shoes as though he appreciated their excellence, he makes the goods seem so much more desirable to the customer.

7. Sometimes light-colored stock is injured because careless customers soil it with dirty hands. The salesman by tactful, silent example can do much to secure proper handling, but in many cases he can do nothing except repair the damage. If he understands the use of such simple means as a soft eraser, French chalk, ether, etc., he can make the necessary restoration.

8. Scratches on the soles from fittings are not of first importance; but since they may be considered somewhat of an indication of the age of the stock, they should be prevented as far as pos-

sible. Provided the store is equipped with soft floor coverings around the seats and before the floor mirrors, the salesman is not likely to be called upon to do more than make a tactful suggestion in regard to walking on such coverings.

## PUTTING STOCK BACK PROPERLY

So much for the appearance of stock — what of the return of unsold goods to the shelves? In this work the salesman should have only one motto: "Everything in its place." If there is adequate equipment, if there is a well-devised classification of stock, then there is a place for everything.

One failing is to misread the stock numbers on the linings or soles of the shoes, so that mismating or placing of the shoes in the wrong carton results. Or when the triplicate mate system is used, with a stock number sticker on the carton and the breast of the heel of each shoe, the failing may take the form of allowing the stickers to become detached, and then attempting to mate the shoes by guess work.

Another failing is to place the returned carton in stock wherever there happens to be an empty space on the shelves. This results in "losing" the pair, at least until someone goes to the trouble of finding the goods and placing them properly. From the retailer's point of view, the time consumed in mislocating the shoes and then

in hunting them out is a pure waste chargeable against the careless salesman.

It may not appear that salesmen need to be cautioned against such carelessless, but many allow themselves to become lax. This is unfortunate, for the resulting poor service to the store and to customers is certainly not reason for advancement.

## KEEPING THE LINES FULL

Carefulness in regard to keeping forward lines full means system and promptness in replenishing cartons from the reserve supply. If the salesman shows a certain style without having the proper size forward, he is to blame. It may be that the line is being discontinued and no reserve is now carried. But even so, the salesman is at fault, for he should know the sizes in the discontinued line and not show the style unless a fit is reasonably certain.

Every morning after any necessary cleaning has been done, attention should be turned to the replenishment of the forward stock. In stores where the business done is not so active this should be attended to at least twice a week. What shall serve as the basis of the procedure depends upon the sort of cartons used, and the part played by store records. If the store uses manufacturers' cartons and gives these to the customers, it will be necessary to use sales slips of the previous day or some similar record of the

styles, sizes and widths sold, in order to know what pairs should be pulled from the reserve stock.

If the store uses its own cartons, the boxes are left empty on the shelves when the shoes are sold. The empties may be indicated by the cover on the bottom of the carton or by turning the carton bottom side up. When the needed stock is to be shaped up directly from the empty cartons, the only procedure necessary for the salesmen is to list the stock numbers, sizes and widths of the empties, send the list to the stockman to supply, and refill the cartons when the shoes are sent to the selling floor. If the slower and more complicated method of refilling from records is used, as when a summary of sales by stock numbers, size and widths is prepared in the office, then the salesman has only to refill the cartons when the shoes are delivered. If neither the actual stock nor an "out" memorandum is returned to the salesman for an empty, however, he should check the matter to discover any possible slip-up in the refilling procedure.

### TIME FOR CARING FOR STOCK

The time for the salesman to busy himself with caring for stock is early in the morning. The purpose of stock care is that the whole store shall be spotlessly clean and the stock neatly and accurately arranged when the trade begins to come in. Unless a very large shipment

has just been received or some unusual change of stock is to be made, all caring for stock should, as a rule, be completed in the first hour. After that the salesman should brush up and be ready to meet and wait on customers. Much, however, can be accomplished in odd moments later (besides replacing shoes); and if the salesman sees that the appearance of the stock can be improved, he should not postpone the work until the following morning.

### RESPONSIBILITY FOR STOCK CARE

Each salesman is usually required to take care of a certain amount of stock, such as one or a few sections. Perhaps the head of each department will supervise the filling-in of stock from the reserve supply and perhaps at least part of the cleaning work will be expected of stock or errand boys. Any part of the work that must be done by the salesman, however, should be done willingly. Nor should he worry about doing a little more than his share. In the matter of replacing loose shoes, for example, he may well help out his comrades when they are busy and he is not. It is good business if only for the material reason that he may be the very one who will next have a customer for such shoes.

One final word, therefore, is this — never underestimate the need of stock care or feel that attention to any detail involved therein is beneath your dignity. Stock care keeps the mer-

chandise in good condition, makes the customers better satisfied, and results in easier sales and less losses through damage or spoilage of goods. A lack of such care may upset the most carefully worked out plan of the buyer or merchant. It may cause loss where gain should have been scored. Salesmen whose poor work has wrought such results cannot hope to gain their full measure of success, even though they may continue with the house. The word of advice is that anything that can be done toward the proper care of stock is worthy of the best efforts of the responsible person.

# CHAPTER V

## CONTROL OF STOCK

### KEEPING A WHITE POST WHITE

If a farmer wants to keep a white post white, he cannot leave it alone. He must give it the proper attention at first and also thereafter as needed. So it is with success in a shoe store. Store equipment, stock classification, stock care — excellence in all of these directions does not insure success unless the right sort of merchandise is purchased at first and the right standard maintained as customers come and go.

Every retail store, regardless of the industry it represents, has problems in controlling its stock so as to meet fully, but no more, the demands of its trade. The shoe retailer has some problems in stock control that are no different in theory from those confronting dealers in other lines, but he has also some special ones arising from the peculiar nature of the goods he handles. The salesman should understand both in order that he may fully appreciate what the merchant is doing or should be doing to keep his stock at a ready-for-service-at-a-profit level.

### THE PROBLEM OF STYLES

The shoe trade is to a large extent based on style. There are many staple styles, of course,

that do not change from season to season, but a large and increasingly larger proportion of the business is being done in styles seasonal in character. The shoes that bring long profits are the ones that are not duplicated. This is especially true in women's shoes, for during the years before the late war the number of styles increased rapidly. Conservation during war days did something to reduce the number, but sudden and marked changes in style are again popular.

New styles help to sell shoes to a changeable public, but the dealer has his difficulties in handling numerous styles without loss to himself. When he buys his season's merchandise, he hopes that the sales will be evenly distributed among the several styles bought. That would be the ideal condition. But no one can accurately predict six months or even one month ahead what styles will be most in demand. When the season opens, certain styles are at once popular, whereas others are not called for although displayed and advertised with equal prominence.

As this condition arises, the salesman is tempted to devote most of his energy to the popular lines. The dealer is tempted to duplicate substantially on these lines; and the salesmen, finding a liberal supply coming, naturally get even more enthusiastic about such stock. But what of the other styles, just as good merchandise, but not being demanded because the public fancies something else? If these are neglected

they will become more and more unsalable as they grow less fashionable. What a shoe dealer needs, therefore, is a system that will show him unmistakably the slow-moving lines in his stock, so that he can take measures through P. M.'s or mark-downs to get rid of such merchandise before its depreciation makes necessary a much heavier loss.

How important it is even for the most progressive merchant to watch this matter of styles is evidenced by a case cited recently by the "Boot & Shoe Recorder." A large Eastern manufacturer, who conducts a chain of retail stores, made a sales analysis that brought out the fact that with a stock of approximately one hundred styles of women's shoes, nearly eighty per cent of the total sales were in ten styles. Consequently he discontinued more than one-half of the styles and stocked more heavily on the fast-selling sizes and widths of the more salable numbers. By this one move he cut down his investment, increased the total sales volume and increased his net profit.

## THE PROBLEM OF SIZES AND WIDTHS

By far the largest percentage of losses in the retail shoe trade, however, is caused not by picking a style "lemon" but by buying too many sizes and widths of salable styles. Only by careful attention to the selection of sizes and widths

can the accumulation of odds and ends be restricted.

A Texas merchant not long ago ran head first into this problem and then he began to keep an accurate record of sizes. He divided his women's shoes into two classes — dress shoes and comfort shoes. His men's shoes he classified as dress shoes and work shoes. At the end of the first season his records showed that seventy per cent of all his women's shoes were sold in sizes between $4\frac{1}{2}$ and $6\frac{1}{2}$. Fifty-two per cent were divided among sizes 5, $5\frac{1}{2}$ and 6. In the dress shoe class, size 6 was the largest individual seller. He carried women's dress shoes in widths between AAA and D, but found that the bulk of his sales was in A and B. In his men's stock he found that seventy per cent of the sales were in sizes between $7\frac{1}{2}$ and 9. In dress shoes the best selling size was $8\frac{1}{2}$. He carried dress shoes in widths between AA and D, but the bulk of his sales was in widths B and C. It did not take this merchant long to see that he must change his size schedules. So he disposed of all his less salable stock and started afresh.

To help retailers in solving this problem, shoe manufacturers and wholesalers have prepared charts showing how much greater demand exists for the center sizes and widths than for the end sizes and widths. Wholesalers supply also standard "runs of sizes" to show the proper distribution for each dozen pairs ordered on a

width. For instance, in a run of men's sizes between 5 and 8 there might be one pair of $5\frac{1}{2}$s and two pairs each of the remaining sizes. Unquestionably good service is rendered to all members of the shoe trade by these charts and schedules, based on general averages. Yet they are of more service to the manufacturer or wholesaler, who sells to a number of communities, than to the retailer, who sells in a single community. There are wide local variations in the demand for sizes and widths, according to the section of the country in which the merchant is located and the class of customers served. Some stores seldom order a width narrower than D, and others need a liberal sprinkling of A's.

It appears, therefore, that although average data may be useful in educating dealers and salesmen in regard to the necessity for control over sizes and widths, each store should determine for itself what variation it has from the average. In this it can be aided in great measure, as in the case of the Texas merchant, by the results of its own experience. Of course, there must always be a certain amount of risk, for no merchant can afford to cut off too many corners of his stock. Occasionally there are unforeseen changes in the demand for sizes and widths. Nevertheless, study of this problem pays, for it is certainly more profitable for a retailer to take risks on ten per cent or even

thirty per cent of the sales than to go at the whole business like a blind man.

## THE PROBLEM OF TURNOVER

The wants of the shoe consumer are individual and highly specialized. Consequently, service to a group of customers requires a great variety of merchandise, which in turn necessitates most careful attention to the selection of styles, sizes and widths, in order to avoid losses from unsalable stock. But these problems are only special features of the great problem of every retailer — the securing of as high a turnover as possible.

Turnover, as has already been explained, means the rate at which capital invested in stock comes back for re-investment within a given period. Merchandise is just like salesmen. The salesman does not assist in making profits for the merchant unless he works; nor does stock do so. But stock does not work for the retailer if it snuggles close to the shelves day in and day out. Indeed, when stock takes a "rest treatment" on the shelves it sickens and pines away; the proper treatment for stock is *exercise*. It may be impossible to make stock work all the time, but some of it should work all the time and all of it should work some of the time. Only in this way can every dollar's worth of stock have a high efficiency.

The great importance of efficiency in stock movement lies in these facts:

1. The longer shoes are carried in stock the more costly they become to the dealer and the more they reduce the profits that he figured on earning.

2. The higher the turnover, the less the amount of capital required in order to provide sufficient stock to meet the demand.

3. The more often a dealer turns his stock the more profit he can earn.

It costs real money to buy shoes from manufacturers; everybody knows this. But everyone does not appreciate the fact that it costs just as real money to carry goods on the retailer's shelves. This is not merely because discounts may be lost when capital is tied up in the slow movers. Only about one-fourth or one-third of the average store expense represents actual expense of selling; most of the remainder is chargeable to merchandise on the shelves, because of interest on the capital tied up, insurance, rent, taxes, depreciation, and so forth. Every day that a pair of shoes lingers in stock, it is attaching its share of a day's portion of this carrying expense. The ideal, of course, is to have as many pairs of shoes as possible pass through the store during the year, in small lots, so that the carrying charges will be split up over the maximum number of pairs, each pair bearing such a charge for the minimum length of time.

As for the second point, mentioned above, the salesman will readily understand that by keeping

a sharp eye on the fast and the slow-moving lines the retailer will be able to reduce his capital requirements. He may even be able to do more business on less capital. This is how he does it. Instead of putting in a large stock of all kinds of shoes, he buys those that sell most quickly and thus have the highest rate of turnover. If he invested his capital in slow-moving stock, the money would turn less often and a bigger investment would be needed to secure the necessary business. A $10,000 stock turned once a year means sales costing $10,000; but a $5,000 stock turned twice means just as much business. With a four-time turnover of a $3,000 stock, the volume of business could even be increased. It simply means that more capital is required and more expense is added in carrying a stock for which there is a slow demand. A stock that moves quickly costs less to carry and consequently allows larger profits.

The third point, as already mentioned above, emphasizes the importance of an accumulation of small gains. Custom, the desirability of the goods, competition and other factors may limit the profit the dealer may try to make on a single pair of shoes, but there is no obstacle against selling as many of such pairs as possible. There may even be an advantage in reducing prices at times to increase the number of sales. A $2 gross profit on each of two turnovers amounts to only $4, whereas a $1.75 gross profit on each of

three turnovers amounts to $5.25. The latter shoes do not pay as much profit as the former on each sale, but they make more money for the store because they move more rapidly.

## FIGURING TURNOVER

Turnover is determined by the sales (representing the goods that have been disposed of) divided by the inventory (representing the amount of capital invested in the stock). The following equally good rules are available for figuring turnover:

1. Divide the sales for the year by the average inventory (computed monthly, if possible) at the selling price.

2. Divide the cost of the goods sold by the average inventory at cost (computed monthly, if possible).

Some simple figures will serve to bring out clearly the method by which the calculation of stock turnover is made on the basis of the two rules given. Regardless of which one is used, the result obtained will be the same. The only advantage of one over the other is that it is more convenient for some merchants to make their calculations on the basis of selling prices, whereas others prefer the cost basis.

For the purpose of illustration it may be assumed that a merchant's total yearly sales calculated on sales prices amount to $150,000. From

the stock records we shall assume it is found that the average amount of merchandise carried on hand during the year calculated at sales prices, was $60,000. According to the rule, then, we divide the total sales by the average inventory at selling price, thus:

$$150{,}000 \div 60{,}000 = 2\tfrac{1}{2}$$

The figure of $2\frac{1}{2}$ in this instance means that during the year under consideration the merchant's stock or his invested capital in merchandise was turned over two and one-half times.

If the calculation is to be made on the cost basis it is necessary, first of all, to work back from the total sales to determine the actual cost of the goods sold. This can generally be done quite readily merely by calculating the amount of gross profit on sales and deducting this from the total sales figure. Assuming that the average gross profit in this case is twenty per cent of sales, we can arrive at the cost of goods sold by deducting twenty per cent from $150,000. Twenty per cent of $150,000 equals $30,000. Deducting this latter figure from $150,000 we arrive at an amount of $120,000, which represents the cost of goods sold.

The amount of average inventory at cost must also be determined. If $60,000 is the figure representing average inventory at sales price, we can work back in this instance also by deducting twenty per cent to find out the amount

of average inventory at cost price. Twenty per cent of $60,00 equals $12,000. Deducting this amount, we get a figure of $48,000, representing the cost of average inventory. Now it is a simple matter of dividing one figure into the other, according to the second rule, thus:

$$120{,}000 \div 48{,}000 = 2\tfrac{1}{2}$$

The result in this instance as in the one previously considered shows that the stock has been turned two and one-half times. One method is as good as the other. The preference of one over the other, as already mentioned, is a matter of convenience. If the merchant can arrive at the selling-price figures more readily, he will use the first method of calculating turnover. On the other hand, if accurate cost figures are available, the second method is to be preferred.

It is sometimes suggested that, as always a few retailers seem confused on this matter of cost versus selling price, it would be better to figure turnover on the basis of pairs. Thus a study of six months' turnover might show an average inventory of 2000 pairs and sales of 3000 pairs, a turnover of one and a half for the six months, or at the rate of three for the year. Turnover figured upon the pair basis gives no opportunity for confusion as to cost and selling price. But the method has its limitations. Note this case for example:

A.

AVERAGE INVENTORY AT COST

| | | Six Months' Turnover |
|---|---|---|
| 500 pairs at $ 5.00 | $ 2,500 | |
| 1500 pairs at $10.00 | 15,000 | |
| 2000 | $17,500 | |

SALES AT COST

| | | |
|---|---|---|
| 1,000 pairs at $ 5.00 | $ 5,000 | |
| 2,000 pairs at $10,00 | 20,000 | |
| 3,000 | $25,000 | 1.4 |

B.

AVERAGE INVENTORY AT COST

| | | |
|---|---|---|
| 500 pairs at $ 5.00 | $ 2,500 | |
| 1500 pairs at $10.00 | 15,000 | |
| 2000 | $17,500 | |

SALES AT COST

| | | |
|---|---|---|
| 2000 pairs at $ 5.00 | $10,000 | |
| 1,000 pairs at $10.00 | 10,000 | |
| 3,000 | $20,000 | 1.1 |

Here A and B start with exactly the same average inventory, in number of pairs and in value, and sell exactly the same number of pairs. The total turnovers on the basis of pairs are the same, but on the basis of money they differ, for A secures a better turnover than B in the higher priced line. If B pats himself on the back because he has as high a general turnover based

on pairs (both 1½ for six months), he is likely to overlook the danger point in his $10 line.

Unless he carried his pair count down into departments, he might overlook a radical change in the demand for certain lines in spite of no falling off in the total sales by pairs.

The turnover in individual lines can be accurately figured in pairs, but there is the danger in combining figures representing all lines regardless of price, that the result obtained will represent a too general average and therefore not give the specific information desired.

### RATE OF TURNOVER

No absolutely hard and fast rule can be set down as to the number of times the stock must be turned in order to secure profit. Nearness to market and in-stock service by manufacturers have a good deal to do with the matter, for if a store can get quick shipments, the chance of a high turnover is much better. Grade of stock is a factor, for generally the higher the grade the less the turnover power. Hence a turnover that in one case would mean failure may in another permit a fair success.

From the various investigations on this subject, however, it seems permissible to draw these general deductions:

1. The greatest number of times that shoe stock is likely to be turned is six a year. In rare instances it has been possible to show a higher

turnover rate but the number of such cases is so small as to be unimportant in discussing general conditions.

2. Few shoe dealers can maintain a successful business without turning stock at least twice a year.

3. The chances for financial success become increasingly greater as the annual turnover approaches and passes three times.

From 1916 to 1920, though there was active retailing, the rate of turnover did not show much improvement. This is not difficult to explain. In the first place, owing to the desire for getting merchandise, there was a general tendency to anticipate requirements even for a year ahead. In the second place, manufacturers, confronted with difficulty in obtaining materials, were late in their deliveries. In the third place, transportation probably was the most important cause of throwing turnover plans out of gear. Now, however, with the elimination of so-called speculative buying, with the improved deliveries which certainly ought to follow a less oversold condition among manufacturers, and with transportation showing promise of improvement, it seems that the ideal three-time turnover is likely to be more widely realizable.

## SECURING MORE TURNOVERS

The relation of the special problems of styles and of sizes and widths to the general one of

turnover must now be apparent. Although the first two concern primarily the *selection* of stock and the third the *amount* of stock, they are related in that a poor selection adds to the amount of stock that tends to remain on the shelves and thus cut down the turnover. By way of summing up what has been said about all these problems, therefore, we present these suggestions for the quick movement of the right amount of stock, neither too much nor too little:

1. The stock should be carefully selected in price, quality and service so as to be adapted to the particular needs of the class of trade for which it is mainly intended.

2. The buying should be confined as far as possible to lines that will sell before the dust settles on them.

3. Preference should be given to such lines (other things being equal) as the manufacturer can quickly fill up by repeat shipments, so that the store can work on the basis of one or a few pairs of each size and width. Reserve stock must be carried by every store, but it should be kept down to the lowest possible amount.

4. In the most active lines half sizes should be kept, in order to lessen the risk of not fitting the customer on a one-pair-per-size basis.

5. Where styles are very similar, the runs of sizes can be combined so as to keep the stock varied but not needlessly duplicated. The salesman can bridge over the slight differences.

6. Extreme care, based on a study of the store's experience, should be exercised in stocking end sizes and widths.

7. It is a good policy to buy the long run of sizes in a few novelties that look reasonably sure to sell, and to keep to middle in all other novelties. This gives a better chance to sell every pair while the selling is good, and then to buy something else.

8. Buying should be concentrated with a few manufacturers or wholesalers in order to secure the best coöperation from these sources of style advice and to reduce the danger of duplication.

9. Definite maximum and minimum limits should be set for the stock, so as to give a high turnover on the basis of the probable sales. The fast-selling shoes should then be located and pushed, and the slow-selling ones weeded out; the stock being concentrated toward the minimum amount in rapid movers.

10. It should be remembered always that a merchant who hoards his old stock is like the man who thinks he has a fortune in worthless Confederate currency. Old stock rapidly loses its exchange value, and it should be converted into cash as soon as possible and this put into new goods. The retailer may be able to turn the money over several times while he would have been waiting for the old goods to sell, at a greater loss each day.

If careful attention is given to these details,

the dealer is most likely to have what each customer wants, without carrying what no customer demands. Thus he can secure these benefits:

1. More profit without an increase in capital and perhaps even on less capital.

2. More liquid capital to take advantage of discounts and special buying opportunities, and to use for advertising and improving the business.

3. Less danger of being "badly stuck" if styles change quickly.

4. Less depreciation or loss on stock through shop wear and style changes.

### THE SALESMAN MUST HELP

These problems of stock control concern the profits of the dealer, but they also concern the daily work and the salary of the salesman. The more active the general character of the stock, the easier the total work of the salesman. The more shoes sold at full price, the greater is the success of the store and the opportunity for the salesman's progress.

Sometimes goods lag because the salesman is not enthusiastic about them when they are new, and scornful of them when they are old because they seem to be waiting to be shoved off on the clearance-sale customers. This is the wrong attitude for the salesman to take. He should not allow his own fancy for certain lines to interfere

with the sale of others. Furthermore, he should understand that extra energy should be used in finding the proper customers for slow movers. The way to lose more money is to hold on to losing goods.

# CHAPTER VI

## SOLVING STOCK CONTROL PROBLEMS

### GUESS WORK DOES NOT PAY

"I suppose I could cut my stock down from ten thousand dollars to seven or eight thousand, but if I did I would probably run short the first thing. It doesn't pay to be out of certain sizes or styles, for it might cost me good business."

"Let me ask you a question," the investigator said. "When you buy do you first look to see how many pairs of each style and size you have used since your last purchase, or in any given period? I mean the number you sold at a profit — not including those you had to pay P. M.'s on or close out by after-season sales at a loss."

"Why no," the retailer confessed. "I just buy what I think I'll need. I pick a dozen of this size and a half dozen of that, by instinct."

"Don't you find it pretty expensive to buy by instinct?" the other insisted. The dealer admitted that his guesses were not always right.

That is the crux of the matter — guesses can not be relied upon to be right, for probably some important factors have been overlooked. Few retailers have a memory like Hezekiah's. He —

so the tale runs — made a wager that if he ever forgot anything he would become the servant of the Devil. His Satanic Majesty asked, "Do you like eggs?" and immediately vanished. Twenty years later he suddenly appeared and whispered, "How?" and Hezekiah like a flash replied "Fried!" No — the average retailer is quite capable of forgetting important details in far less time if he depends on his memory alone. There are too many details to remember, and the time spent in trying to do so would be much better utilized in interpreting records which are sure to give every fact.

None of the problems of stock control is easy of solution even with adequate records, and with mere guessing there is hardly one chance in ten of the answer being correct. The styles are now too numerous for the retailer to try to keep close to their progress merely by an occasional glance at the shelves. The local demand for sizes and widths is too variable as between different sections of the country for the retailer to buy without a study of his own past sales. And no mere guess will serve to tell the dealer whether or not he has too much capital tied up in stock in comparison to sales. The eye cannot accurately translate cartons into dollars.

If the dealer guesses about these problems of stock control, the result is almost certain to be disastrous. There have been cases of shoe stores that have succeeded without stock-control sys-

tems, but they did so not because but in spite of their lack; they had more than the average man's luck. An investigation in one Iowa town showed that during five years twenty-three of the shoe dealers or forty-nine per cent of the total number had failed. The direct causes assigned for lack of success are many, but there is little doubt that underneath all of them lies guess-work (whether based on ignorance or carelessness) regarding stock control. Certainly the most successful shoe retailers are using permanent records which give complete and accurate data regarding stock on hand, orders and sales. Probably, therefore, the lack of proper attention to stock control forms a large contributing factor in every failure.

## NO ONE SYSTEM OF STOCK CONTROL

If, then, records are necessary for the proper control of stock, what form should they take? Is there *one* best form? No! There is no system that will best serve *all stores* under *all conditions*. Consider the simple matter of size. It is estimated that there are about 50,000 exclusive retail shoe dealers and departments in the United States. Figures prepared a few years ago showed that less than 10,000 of these had a yearly business averaging $100,000 and more than 40,000 stores had average sales of only $25,000 a year. The $100,000 store can afford, or rather cannot afford to be without

a detailed, expensive system, but the store of the great majority must avoid everything that for it would mean too much red tape.

Consider, too, the type of store. Not even all independent specialty stores can well use the same system of stock control. One investigation has shown that in the low-price stores the cost of merchandise sold constitutes 74.3 per cent of the selling price; in the medium-price stores, 73.4 per cent and in the high-price store, 65.2 per cent. The portion of the gross profits devoted to operating expenses is least in the low-price stores and greatest in the high-price stores. One cannot argue from this that the low-price stores are absolutely prohibited from using the more expensive systems of stock control, for in the largest sense the system makes the expense, and not the expense the system. There is this much to be said, however — the limitations upon price-fixing, that are greatest when a store caters to a low-price trade, make the proprietors of low-price stores most cautious about the amount of overhead expenses to be loaded on the merchandise cost. Hence they are likely to favor a stock-control system that gives the principal facts with a minimum of special effort and clerical aid. As regards the department stores and the chain stores — the systems there naturally reflect the relationship of the shoe-retailing unit to other units and the main office.

Finally, consider the varied natures of re-

tailers. Here, perhaps, is a system that works out the most detailed records to serve as a basis for future buying; it may be just what suits the dealer who is unable to generalize from fewer facts, but it may represent wasted time to one who is an expert at analyzing figures. Here is a system that involves nothing but book work; it may please the dealer who likes records, but it will not appeal to one who prefers to combine some inspection of stock with book work.

In short, there are many workable systems, each having their strong points and appealing to certain dealers. The test of each is not how near it comes to some other system, but how well it enables the dealer in question to control his stock. Results count.

## WHAT A GOOD SYSTEM SHOWS

### COMMON CHARACTERISTICS

The existence of many systems of stock control does not mean that they are without certain common characteristics. They are, in point of fact, working toward a goal — an intelligent selection of varieties and total amount of stock, and a close watch over the movement. Some take longer steps than others, or use different means of getting there, but they all go along the same route.

What are the main features of stock control during any period? Some stock is on hand at

the beginning. More stock is ordered. It is received. Some goods are sold, more orders may then be necessary, and so it goes. As the developments come, the retailer should be able to tell that he has the right amount of stock, in salable styles and in proper sizes and widths, on hand at the right time. A good system, therefore, not only records the changes in the stock but also does this in such terms of pairs, sizes and widths, or dollars, as to permit a solution of the three problems of stock control.

## RECORDING DOLLARS AND CENTS

The dollars and cents data connected with *each pair* of shoes are necessary for the financial books of the store, but they do not concern the stock-control system, except as the cost and the selling price of each style is noted in the stock records. When the total turnover problem, however, is considered on the basis of dollars and cents, as it should be, the system must provide for showing the total value of stock on hand. This is done by an actual count and valuation of stock at certain periods or by operation of a continuous stock record of the value of merchandise. This dollars-and-cents feature of a good stock-control system, however, will be fully discussed in later chapters on inventories; the principal part of the system is that which provides for recording information concerning the number of pairs and their sizes and widths.

### WATCHING PAIR MOVEMENTS

Information on the number of pairs is necessary for solving the style problem. The chief need is for a series of records, one for each stock number. Each record starts out with the number of pairs on hand for that stock number, and thereafter the process of operation is simply that of addition and subtraction. Pairs received are added, and pairs sold are subtracted, due consideration also being given to pairs returned by the store to manufacturers and by consumers to the store. This record can be operated so as to show each day the number of pairs on hand, and it can be summarized by weeks, months, half-years and years to give the number of pairs originally on hand, received, sold, and still on hand. Similarly, by combining the data from different stock records, summaries by pairs can be prepared for each group in the shoe classification for any period desired.

### RECORDING SIZE AND WIDTH DATA

Are size and width data to be omitted? No, they are necessary for solving the size and width problem, but there is an honest difference of opinion as to how they should be gathered and recorded. It is possible to keep for each stock number a continuous record of sizes and widths received and sold, so that the shoes on the shelves will not have to be inspected to see what

sizes and width are still on hand. One group of retailers, however, takes the attitude that the central idea of a stock-control system is the continuous recording of the pair movement in styles, and that the problem of sizes and widths can be satisfactorily solved by occasional size-ups (listing of the sizes and widths on hand). The main argument of such retailers is that information of sizes and widths sold is likely to be inaccurate, because the salesman in recording such data on sales slips stands a greater chance of making a mistake through carelessness, rush of business or inexperience, and also that the maintenance of such data makes the system too complicated. A second group, on the other hand, asserts that the salesman can record size and width data on the sales slip as easily as he can the stock number, with no greater chance of error. These merchants also maintain that when occasional size-ups are used, these serve only to show the state of the sizes and widths from time to time, and data regarding the total sales for each size and width over any period are not easily obtainable unless complete records are kept.

It would be most difficult to weigh these opposing views if one did not keep clearly in mind the result desired. It is necessary for the dealer to know two facts: what sizes and widths to buy, and how they move along after purchase. If he can afford to use a system that involves the recording of every sale by size and width, well

and good — he can easily watch the movement of sizes and widths and make up summaries for buying. He can, of course, use a size-up to check his continuous records as often as he desires. If he considers it best, however, just to count the stock occasionally to see what sizes and widths are on hand, and what need to be reordered, again, well and good provided he keeps a summary of the pairs in each size and width on hand at the beginning of the period and those received during the period. With this and the last size-up for the season he can make a fair estimate of what will be required in each size and width for the next season. Either method, thoroughly and carefully used, will reduce the danger of buying unsalable sizes and widths.

### COLLECTING RECEIPTS AND SALES DATA

Mention has been made above of the simple operation of maintaining a pair record by adding to the shoes on hand the shoes received and subtracting from this the shoes sold. The work is more simple in the case of receipts than in the case of sales. Shoes are received in lots, and it is easily possible to fill out a receiving slip or to check a duplicate of the order, and then make the necessary entries on the record for the stock number. But each sale involves a separate recording process, and the record must be made in the more rapid course of the selling procedure. Consequently, there is in this case a greater ne-

cessity for a record that combines completeness with simplicity.

The usual procedure is for the salesman to enter on the sales slip the stock number and the price, together with the size and width if a running size-and-width record is kept on the stock sheet. The carbon of the sales slip then serves as a basis for posting the sale to the stock sheet or for preparing a summary for such posting. It is sometimes felt, however, that the salesman is too likely to make incorrect entries in the rush of business or because of carelessness or inexperience, and that it is better to prepare in advance a tag with the stock number and the size and width. This can be a gummed tag to be affixed to the carton, if manufacturers' cartons are used and taken by customers, or a string tag to be attached to the shoes, if special cartons are used and retained by the store.

In either case part of the tag is detachable, so that it can be turned in with the sales slip and used for stock entries. The string tag is preferred by some when special stock cartons are used because with such a tag the salesman does not have to go back to the carton of the chosen shoes to detach the office part. When either form of tag is used, the entry on it is more likely to be accurate than an entry on the sales slip. Nevertheless, some dealers object to tags on the ground that the salesman has to make

out some sales record anyhow and can just as well add the necessary stock-control data, and that new tags have to be made out for goods returned by customers.

If the dealer prefers to get his stock-control data from the carbons of the sales slips, the only difference to the salesman is that he must be as careful as he possibly can in the making out of each slip. If he makes correct entries, the chances of the dealer having accurate stock-control records are increased a hundred-fold.

### RESERVE STOCK AND FINDINGS

Special mention should be made of the surplus stock in the storeroom. If the stock records show sizes and widths, and it is desired to make a distinction between forward and reserve stocks on these records, the forward stock can be entered in black and the reserve in red. Another method is to indicate the forward stock by the use of lines, and the reserve stock by the use of dots; the reserve stock marks being changed to the others as the goods are moved forward. In general, however, this involves too much detail. It is quite sufficient to record both classes of stock in exactly the same way, so that the record shows simply what is *in the store,* and then place upon every salesman the responsibility of seeing that his section of stock is filled in every morning. This has the advantage of keeping the stock record from becoming too complicated, it

keeps sufficient stock forward if the sizes are on hand, and still permits the record to serve as a basis for ordering. If the stock record is kept only by pairs, so that size-ups are necessary for watching the movement of sizes and widths, the counts must cover the stock room as well as the floor.

Sometimes, to reduce the amount of possible loss or misplaced goods, the stock room is put in charge of one salesman or stock clerk and kept locked when he is not there. It may then be considered advisable to have separate pair records for the stock room, so that the clerk can keep account of goods received and goods transferred to the selling floor. Invoices or receiving slips initialed by the stock clerk, and withdrawal slips initialed by stock boys or salesmen, then give the data for a stock room record fixing responsibility for the goods on hand. It is not often, however, that the stock-control system has to contain any such provision.

Thus far mention has been made of shoes alone. Records of pairs and sizes are as advisable for hosiery as for shoes, but for other findings a more general account can be kept. Some dealers base their orders for findings on an inspection of the cases or drawers. However, in order to avoid duplication of stock and overbuying it is better to have a continuous dollars-and-cents record of the on-hand stock, receipts and sales in each class of findings. The operation

of such a record will be described in the chapter on continuous inventories. Such a system helps to keep the buying within the bounds of reason as determined by sales. The selection of varieties to be ordered, when the total is running low, can still be made upon the basis of inspection.

## LOOSE-LEAF VERSUS BOUND RECORDS

Between bound books and loose-leaf books for stockkeeping records the retailer should not hesitate a second in choosing the latter. The basis of the stock-control system is a record for each stock number, and all of these records must be arranged in logical order. In the case of a well-devised classification, this is the numerical order according to stock numbers — an order which automatically groups the records in broad divisions, such as men's high shoes, men's low shoes and so forth. When a bound book is used it is practically impossible so to arrange the book as to insure order. Then, too, some pages become dead but still have to be left in the book.

The loose-leaf system, on the other hand, permits new sheets to be added without interfering with the proper order of the shoe classification, and it enables the sheets for discontinued lines to be taken out. Each record is entirely independent. These advantages belong also to the card system, but cards in drawers are more easily lost than sheets in binders. They are more

awkward to handle in the making of entries unless removed from the file. This takes time. All in all therefore, loose-leaf sheets in a binder (or in one binder for men's shoes, one for women's and so forth) are usually found most suitable.

### REQUIRED TIME FOR OPERATION

A stock-control system, to be effective, must be kept up to date. This means a daily recording of stock changes as they occur. If the work is done in this fashion, it can be handled in a few minutes each day. The actual amount of time, of course, depends upon the size of the business. An hour or less seems to be general for most stores. Surely if the first hour in the morning is given over to entering the transactions of the preceding day, with as much more time as is needed for size-ups being taken at leisure moments during the day, the setting sun on no day should see any stock-control work undone. Such work should never be allowed to accumulate, for irregularity breeds careless and inefficient methods of stock control. The work is too vital for half-way measures to suffice.

## THE SALESMAN'S SHARE

### SIZE OF STORE A FACTOR

Just as there are various systems of stock control, so the amount of such work done by the

salesmen varies in the operation of such systems. The salesmen always handle the sales slips; reference is made here to work beyond that point. As a rule, the volume of sales is a large factor in the assigning of this other work.

If the store is small, employing only two or three salesmen and having yearly sales of not more than, say $40,000, the proprietor may do all of the stock-control work except taking occasional size-ups and counting the goods at inventory time. If he prefers not to do so, then one salesman may well handle the records and the others the sizing-up and the counting. The bookkeeper usually has enough to do with his financial records and office work.

In a medium-size store, with four or six salesmen and sales of not more than $80,000, the proprietor is likely to confine his stock-control work to buying and pushing slow lines, leaving it to certain salesmen to gather the information upon which he bases his judgment. One salesman can handle the main records, and the others the checking of receipts and the sizing up. This division of the work helps to secure greater accuracy, uniformity and ease in the operation of the system.

In the larger establishment, with ten or more salespeople and sales of $100,000 or more, the specialization is still greater. In this case the system is mainly carried on by a receiving clerk and a stock clerk, although one person may per-

form the functions of both. The salesmen then deal with the stock-control system merely through the sales slips, the occasional size-ups and the inventory counts, unless the head salesman in each department acts as buyer or assistant buyer. In that event he assists the merchant to interpret stock requirements.

## "A GOOD SALESMAN"

As one retailer has said, "A good salesman is the one who can aid the dealer who has no stock system, and there are many of such in the country." It naturally follows that he who can help the merchant to improve the existing system is likewise "good." The salesman's share in stock control, therefore, does not concern merely the accurate filling out of certain forms, the correct sizing up and counting of stock, and the prompt following out of instructions to get rid of certain shelf-warmers. These are matters of carefulness, of painstaking vision, of steadfast coöperation — all essential, but the salesman has something else to give the merchant. Brain power — that's it. The salesman who understands the whole stock-control system, who knows how to get from it valuable information for guidance in making his sales, who studies out every possibility of the system being made to give more information more efficiently — he is ten times as valuable as the one who just goes

down to work morning after morning to take enough orders for shoes to hold his job.

So this is what should be done. As the salesman studies the examples of stock-control systems given in the following chapters, he should continually bear in mind the vital need of such systems for retail success. He should make up his mind to coöperate more than ever in the use of the system the merchant maintains, and, if that seems to be poorly constructed or inefficiently operated, he should do the best he can in a tactful way to suggest improvement. Get your brain cells to thinking about the possibilities of this work.

# CHAPTER VII

## PRACTICAL STOCK RECORDS

### GENERAL AND SPECIFIC SYSTEMS

In presenting practical systems of stock control, the first discussion will be that having to do with the pair and the size-and-width records; the dollars-and-cents records will be treated later in connection with inventories. Furthermore, a division may be made of records of the first sort into two classes — general and specific. *General* pair and size-and-width records are those standardized ones that have been devised by authorities to suggest to retailers how to apply the principles of systematizing to their stock-control problems. *Specific* records are those that reflect the preferences of individual dealers and the variations to meet local conditions.

Now, therefore, come the general systems. Many of these have been formulated and have been adopted by dealers, but the limitations of space makes it impossible to mention all of them. In fact, no good purpose would be served in doing so. For the purpose of illustrating general principles, three of these systems will be discussed. There is a system sponsored by the

Retail Service and Business System Department of the Associated Advertising Clubs of the World; this represents the conclusions of some of the best business and accounting experts in the country. There is a system favored by the Bureau of Business Research of Harvard University; this is the result of a special inquiry into the experience of more than a hundred coöperators among shoe retailers. There is a system recommended by the shoe manufacturer, J. & T. Cousins Company, Brooklyn, N. Y.; this the company has developed in the interest of more efficient merchandising. These will suffice to show how different systems can work toward the same solution of stock-control problems and still possess varying details.

## SYSTEM OF ASSOCIATED ADVERTISING CLUBS

### FORMS USED

The forms required for the system recommended by the Associated Advertising Clubs are a receiving slip and a stock sheet (stock record and order record). The chief point to notice at first is that these records are carried along by sizes and widths. This makes it possible to formulate a judgment regarding the need for fill-ins without actually counting the stock on the shelves. This, however, can occasionally be done as a check.

## STOCK SHEET — ORDER RECORD

A separate loose-leaf stock sheet is used for each stock number used by the store. On the top part, as shown by Figure 3, there should be

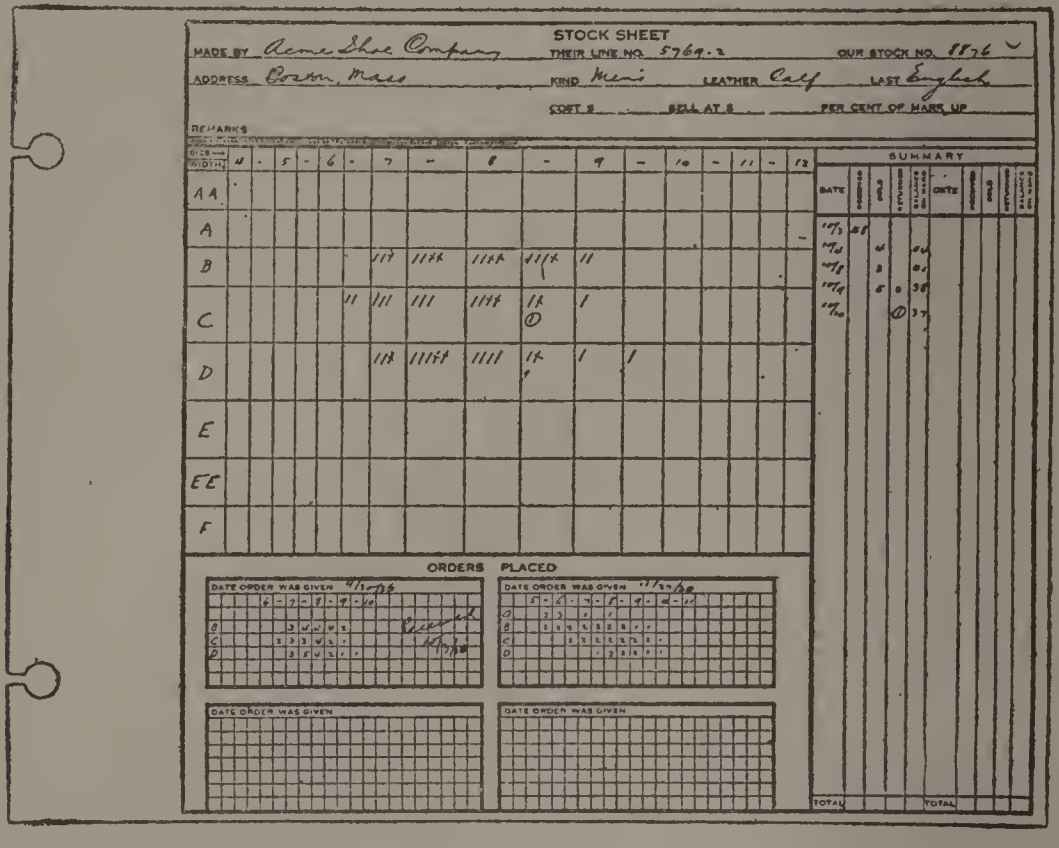



FIGURE 3

written the name and the address of the firm with whom the order is placed, their line number, the kind of shoe, the leather, the last, the cost, the selling price, the percentage of mark-up and the stock number given by the store.

At the bottom of the stock sheet, in the "Orders Placed" section, the order (from the store's duplicate copy) is entered according to the number of pairs of each size and width. The

record of orders placed serves to do away with the danger of forgetting what has been bought and sending in further orders for the same stock. Besides, the dealer is prepared to follow up the order if shipment is delayed, and he is ready for it when it comes. There are spaces, it will be noticed, for four orders in connection with each stock number; by the time these spaces are full, a new sheet is needed anyhow for the entries of sizes and widths on hand.

## RECEIVING SLIP

When the shoes are received, the man who unpacks them enters on the receiving slip (Figure 4) the date, the manufacturer's stock number,

RECEIVING SLIP.

No. 87

DATE REC'D October 3, 1920

OUR STOCK NO. 8876

RECEIVED FROM Acme Shoe Company Boston, Mass

FACTORY LINING NO. 5269-2

INVOICE NO. 2874

DATE OF INVOICE 9/30/16

| SIZE / WIDTH ↓ | 4 | – | 5 | – | 6 | – | 7 | – | 8 | – | 9 | – | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AA | | | | | | | | | | | | | |
| A | | | | | | | | | | | | | |
| B | | | | | | | /// | //// | //// | //// | // | | |
| C | | | | | | // | /// | /// | //// | // | / | | |
| D | | | | | | | /// | ///// | //// | // | / | / | |
| E | | | | | | | | | | | | | |
| EE | | | | | | | | | | | | | |
| S | | | | | | | | | | | | | |
| M | | | | | | | | | | | | | |
| F | | | | | | | | | | | | | |

ENTERED IN STOCK RECORDS Oct 3, 1920

TOTAL PAIRS 48

CASE NO. 650

RECEIVED BY O.P. Hansen

FIGURE 4

the total number of pairs in the case, and the sizes and widths. This receiving slip is then checked with the invoice and the duplicate order

to make sure that the shipment is received as ordered and billed. The goods are entered on the receiving slip, and after being price-marked and otherwise marked, the shoes are placed in stock. The signed receiving slip is attached to the invoice and both are returned to the office.

### STOCK SHEET — STOCK RECORD

The sizes and widths of goods received, as shown on the receiving slip, are then entered in the large squares on the stock record (top part of the stock sheet), one stroke being made for each pair. The sizes received are compared with the orders placed; and if the order has been received complete, the word "Received" and the date are entered in the order space concerned. If not complete, the pairs received are marked off in the small squares of the order space, and the remaining figures show how many pairs are still on order. In this way there is no possibility of over-buying on account of forgetfulness as to what goods are still to be delivered.

The next step is to enter in the stock record the daily sales, so that the number of pairs on hand in each size and width will be readily apparent. The sales data can be entered from the sales slips, on which the salespeople have entered the stock number, the size and the width of each pair sold. All that needs to be done is to check off the sizes and widths sold during the day, and make new marks on the stock sheet for those

returned by customers. This is not a complicated matter at all, even if a hundred pairs or more are sold every day. For each pair sold, the procedure is to cross off one mark in this way, X, and for each pair returned that was crossed off when it was sold, to make a new mark in this manner /.

The summary section, shown to the right of the main part of the stock record, serves to show the total daily sales in that particular style and the total number of pairs still on hand. The total number of pairs received, with the date of receipt, is first entered, and then the number of pairs sold each day is recorded; the balance being carried out. Thus, if the dealer receives on an order 48 pairs of one stock number, and the next day sells 4 pairs, he enters 4 in the "Sold" column, and 44 in the "Balance on Hand" column. In the same way, he enters shoes returned by customers in the "Returned" column, and adds the number to the previous number shown as "Balance on Hand."

In looking over the shoes, the clerks may find a pair that is defective — for instance, size $8\frac{1}{2}$ width C. The dealer returns this to the manufacturer, making a circle around the stroke in the proper square in the main body of the stock record. This pair is also deducted in the summary "Returned" column by entering the number inside a circle, to distinguish it from the number of pairs of shoes returned by customers.

These latter are also entered in this column but without circles around the numbers. A return to the manufacturer is, of course, a deduction from the balance on hand.

### WHAT THE SYSTEM DOES

The benefits to be derived from the use of these forms are said to be as follows:

1. The receiving slip insures an accurate check of receipts against orders and the correct entry of new shoes on the stock sheet.
2. The order section of the stock sheet shows which manufacturers, wholesalers or jobbers make prompt shipment. This knowledge enables the dealer to fill up stock quickly and avoid losing sales.
3. The stock-record section of the stock sheet shows how the sizes and widths are moving, and the summary section gives the general movement of the style. Information on the latter point enables the dealer to find out which lines sell with the highest turnover, either because the style is more popular or the price is more suited to the general run of customers.
4. The stock record also tells what lines, if any, have to be sent back to the maker because of defective workmanship. A dealer cannot afford to keep on buying from a

maker whose goods do not give satisfaction.

5. The stock records, taken together, indicate how much of the total business is done in staple "asked for" merchandise, so that this part of the stock will not be reduced in favor of too many novelties.

In short, the system enables the dealer to regulate the amount and the kind of merchandise on hand, so that he will not over-buy or under-buy except on account of conditions beyond his control. The stock can be cut down or expanded as need be, the "dead" lines weeded out and the good lines can really be master of his business instead of, as with some merchants, a slave to it.

## HARVARD SYSTEM

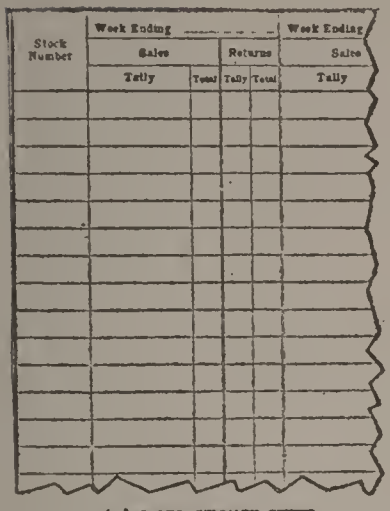
### FORMS USED

The forms used in the Harvard system are three: sales summary sheet, size-up sheet and consolidation sheet. The *sales summary sheet* keeps a record by stock numbers of the number of pairs sold and returned, without reference to size and width. The *size-up sheet,* one of which is used for each stock number, shows the number of pairs of each size and width on hand, as determined by actual count. The *consolidation sheet,* one for each stock number, has three parts. They are the *order record* which shows the number of pairs of each size and width to be ordered; the *receipt record* which indicates how new goods

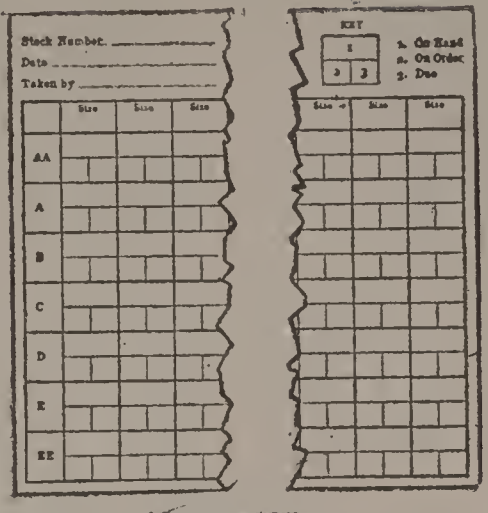
are coming in, and the *stock record* provides a monthly summary of goods received, sold and returned. Figure 5 illustrates the ruling of the various forms. Only those portions are reproduced that serve to make clear the purpose of each form. The extended ruled portions are indicated but not shown complete.

### SALES SUMMARY SHEET

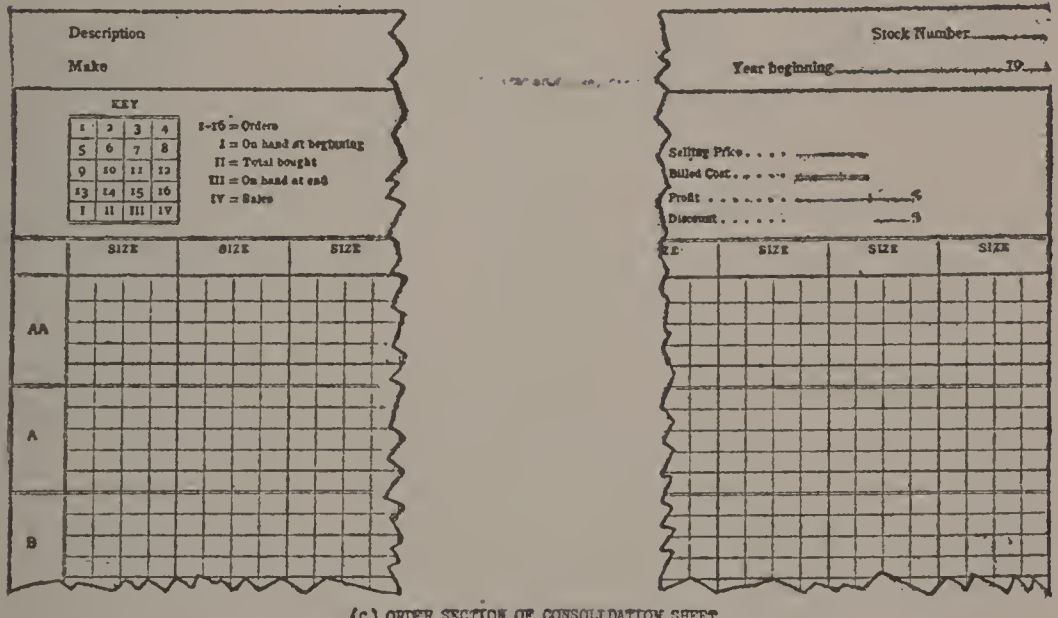
The stock numbers on the left of the sales summary sheet (Figure 5a), one to a line may be entered in order either in advance or as sales occur. The latter procedure is sometimes preferred when there are many numbers of varying activity. Each of the four weekly spaces contains a tally column for entering the daily sales by groups of fives from the sales slips; a total column for the sales of the week; a tally column for the daily returns of shoes by customers, and a total column for the returns of the week. Each weekly section is used in the same way. At the end of each week the total sales are entered on the stock record part of the consolidation sheet for the same stock number. At the end of each month the total returns are entered on the stock sheet. Returns are not numerous enough to require weekly posting to the stock record. Where totals for broken weeks are wanted for the stock record, they can be easily secured from the extra daily tallies for the last few days of the month.



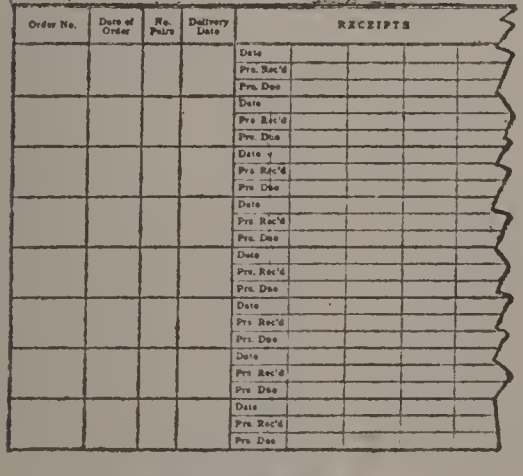

(A) SALES SUMMARY SHEET



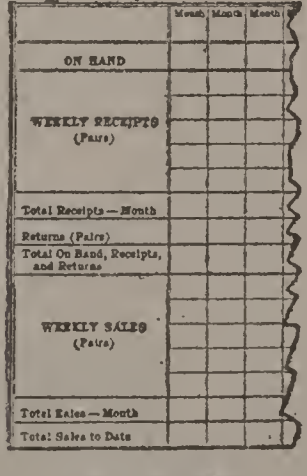

(B) SIZE-UP SHEET




(C) ORDER SECTION OF CONSOLIDATION SHEET




(D) RECEIPTS SECTION OF CONSOLIDATION SHEET




(E) STOCK SECTION OF CONSOLIDATION SHEET

FIGURE 5

## SIZE-UP SHEET

The Harvard *size-up sheet* (Figure 5b) does not differ from the ordinary form except that each space has three divisions. The upper divisions (marked 1 in the key in the upper right-hand corner) are used for the pairs of each size and width on hand as determined by actual count. The use of the additional divisions can be planned according to the individual preference of the merchant. Division 2 can be used to show the number of pairs on order. Division 3 can be used to show the pairs whose delivery is due at the time of the size-up, or the pairs transferred from another stock number.

As soon as a size-up is taken, each size-up sheet should be attached with clips to the consolidation sheet having the same stock number. There it remains until the next size-up on that particular stock number is taken. After that it should be removed, destroyed or filed, and the new size-up sheet substituted for it. In order to learn whether or not stock is accumulating, the figures on the latest size-up sheet should always be compared with those on the preceding one.

## ORDER RECORD

The *order record,* which is the top part of the consolidation sheet, provides spaces for recording by pairs as many as sixteen separate orders

for each style and width. A portion of it is shown in Figure 5c. The squares in each size and width section are used in the order of the numbers in the key chart in the upper left-hand corner.

This point should be noted carefully: *The order record is not a list of orders which have been given but a program of orders that are to be given.* Entries on the order record are determined from the size-up sheet, the sales summary sheet and the stock record. The merchant, in other words, studies how many pairs of each size and width he needs and enters the number in the proper space. If he does not need any pairs in a certain size and width on the next order, he may put a cross or check in the space. Then he is ready to take all the order records and make up his orders for supply houses or salesmen without delay. As he orders the goods, he should put a circle around each entry on the order record to show that the order has been sent in.

The four spaces in the lowest row in each section of the order record are used for important summary figures for each size and width. The number of pairs sold is determined by subtracting, from the sum of the number of pairs on hand at the beginning plus the number of pairs bought, the number of pairs on hand at the latest size-up. Thus, if there were twenty-eight pairs on hand originally and sixty more were bought, it is clear

that if the size-up shows sixty-eight still to be on hand, there must have been twenty pairs sold during the period. This summary is especially important for determining what sizes and widths were purchased in too great quantity during the year.

### RECEIPT RECORD

The *receipt record* half of which is shown in Figure 5d, is made for sixteen orders to correspond to the sixteen spaces in the order record. The plan of the receipt record is simple. The four columns on the left give the essential information for each order: order number, date of order, number of pairs and date of delivery. On the right, four columns are provided for recording as many as four receipts upon a single order, and the pairs due after each partial shipment. The receipt record, it should be noted, is kept not by sizes and widths but by pairs.

### STOCK RECORD

Last on the consolidation sheet is the *stock record,* which without regard to sizes and widths shows by months and weeks for a year the receipts, the sales and the returns of the stock number under consideration. Part of the stock record is shown in Figure 5e. This record furnishes very important information regarding the tendency of sales and stock on hand in this style

to increase or decrease. At any size-up, for example, the retailer might find his stock in a certain size and width to be the same as the original quantity on hand. Whether he should reduce or increase the stock in this size and width would probably depend upon whether the stock record showed that the sales in all sizes and widths of that stock number for the last few months were declining or increasing, and also how much time remained before the end of the season. If the height of the season has passed, the retailer should be extremely cautious in giving new orders for seasonal goods.

## HOW THE RECORDS FIT

To summarize all that has been said, the following is a little "moving picture" of how the records work together for stock control. The sales summary sheet indicates the fastest selling stock numbers. This should be inspected to see how the sizes and widths are holding out and what fill-ins are necessary. It also indicates the slowest selling stock numbers, of which it is desired to know how many sizes are likely to be left-overs. These two classes demand attention first. Size-ups of the normally selling stock numbers can be taken in the ordinary routine.

As soon as it has been determined what stock numbers should be sized up, the size-up sheets — one for each number — are brought into use. These are filled from an exact count of shoes in

stock. The upper divisions are marked, as in the case of any size-up sheet, with tallies of figures for the pairs on hand. Reference to the order record enables "Pairs on Order" and "Pairs Due" to be inserted in the lower divisions. The size-up sheets are then attached to their respective consolidation sheets.

The order record is next used. The buyer first compares the previous size-up sheet with the latest one, to see whether stock of the respective sizes and widths is increasing, running even or decreasing. He notes also the lower right-hand spaces of the latest size-up sheet to see what pairs are due. Glancing at the receipt record, he learns how promptly deliveries have been made in the past and what deliveries are lacking. Finally, he looks at the stock record to find out the all-important tendency of sales for this stock-number — whether increasing, declining or continuing at about the same volume. On the basis of these facts, he reaches a buying decision, and inserts figures for the order in the proper spaces of the order record. From this he makes out his order for the manufacturer or wholesaler.

The total number of pairs represented by the order, its date, and the expected date of delivery are then entered in the receipt record. When the delivery is made, it is entered on this record. When the shoes are sold, the sales are entered on the sales summary sheet; at the end

of each week this is totaled, and the stock record is brought down to date.

### BENEFITS SECURED

The benefits of this system are stated thus by the Harvard Bureau:

"This stockkeeping system furnishes the retailer with records to guide his buying and to aid in obtaining a faster stock-turn. The consolidation sheet shows which styles, sizes and widths have been most frequently demanded by his customers. By basing his orders at the beginning of a season on his previous experience, he can buy intelligently. During the season the sales summary sheet shows constantly which stock numbers are moving and which, if any, are stagnant. For styles, sizes and widths which are in demand, the records on the size-up sheets and the order records provide a necessary guide for replenishing his stock. By regulating his orders and his stock in accordance with these records, the retailer can meet the requirements of his trade and at the same time insure a rapid stock-turn."

## COUSINS' SYSTEM

### ONE COMPOSITE FORM

A simple, compact stock-control system, which presents on one form a graphic, clean-cut picture of what is going on in the stock, is that

developed by J. & T. Cousins Company. A binder full of loose-leaf forms, one sheet to a style, comprises the main part of the system. Each sheet, as shown in Figure 6, is an order, stock and sales record.

The operation of the system the company explains thus:

"When you place an order, merely mark a dot in the center of the small square under the proper size, each dot representing one pair of shoes. At the same time enter the date in the upper left hand corner under D. O. or 'date ordered.' In the next square to the right, marked P. O. or 'pairs ordered,' enter the correct number. You may, if you wish, use separate lines for different orders.

"When an order arrives, with a stroke of the pen run a diagonal line through the dots representing it, and enter the date in the square at the upper left-hand corner marked D. R. or 'date received.' In the next square, P. R. or 'pairs received,' make the necessary entry. If the sheet is started with inventory figures for shoes on hand, the number of pairs can be placed in the 'Total' column in the upper left-hand corner, and each pair in a size and width marked with a diagonal line.

"When a pair is sold, by another stroke of the pen convert the diagonal line into an X. If by any chance a pair is returned, draw a horizontal line (—) in the small rectangle beneath

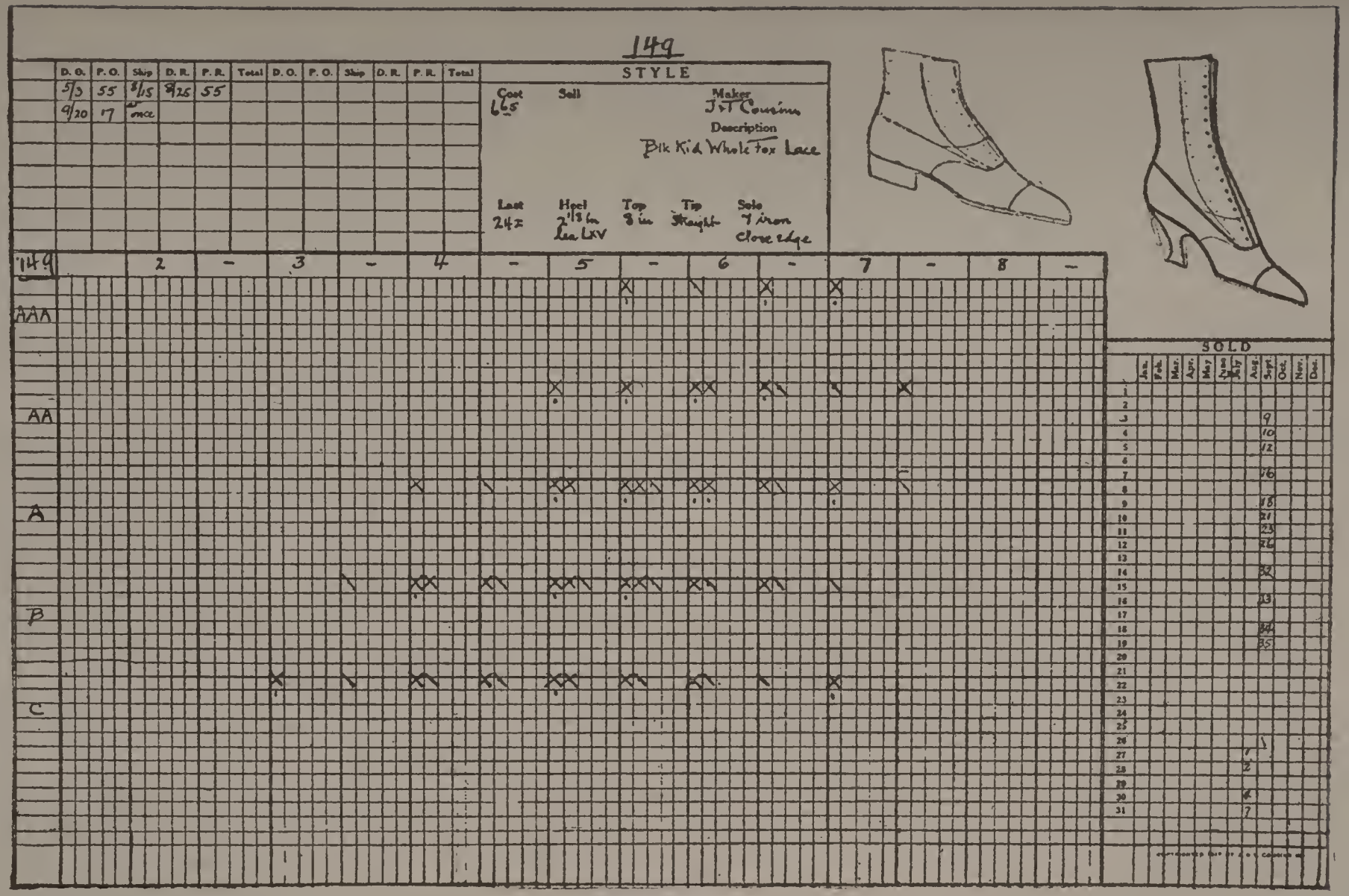

149
D. O. P. O. Ship D. R. P. R. Total
5/3 55 8/15 8/25 55
9/20 17 once
STYLE
Cost 6.5
Sell
Maker J. & T. Cousins
Description
Blk Kid Whole Fox Lace
Last 242
Heel 2 1/8 in Lea LXV
Top 8 in
Tip Straight
Sole 4 iron close edge
149
2 3 4 5 6 7 8
AAA
AA
A
B
C
SOLD

FIGURE 6

the square assigned that size. The 'Sold' column at the right-hand side of the sheet is to record the total pairs sold each day, and to carry along a cumulative total of pairs sold, as indicated in the illustrations.

"You must have a tag for each box of shoes, the tag to have on it style number, year, size and width. This is attached to the inside of the box with a clip. When the sale of a pair of shoes is made, the salesman extracts the tag from the box, fills out the sales slip and turns in both tag and sales slip to the cashier. The latter puts the tags into a box on her desk to be used the next morning in posting the sales to the stock sheets.

"When a pair of shoes is returned, it should be taken to the dealer's desk. The next morning it should be entered as a return on the stock sheet, and a new tag should be made out. Then, and not until then, should the pair be returned to stock.

"Four points, therefore, must be covered each morning: goods ordered, goods received and placed in stock, goods sold and goods returned. With a business of $60,000 to $75,000, the work should not require more than an hour a day of one man's time."

## IT TELLS THE STORY

This system, as its sponsors state, tells the rate at which each line is moving. The total of shoes

received (plus those on hand at the beginning, if any) minus the cumulative sales, shows the balance on hand. Thus Figure 6 shows 55 pairs received, 35 sold and 20 on hand. This can be checked against the record of the movement by sizes and widths, which shows how each size and width has sold and how many pairs of each are still on hand. The system thus enables the merchant to be posted on the sizes and widths and the character of merchandise demanded by his customers, and to push "stickers" before the season's windup leaves them stranded on the shelves as a charge against turnover.

# CHAPTER VIII

## SPECIFIC STOCK RECORDS

### RETAIL DEALER'S SYSTEM

Consideration can now be given to specific pair and size-and-width records, or those developed by individual dealers. The first to be described is that of H. E. J. Schmidt, Dubuque, Ia. Each loose-leaf sheet is an order record, stock sheet and sales record. The front of the form (Figure 7) gives a novel arrangement of descriptive data, receipts by pairs and cumulative sales by pairs. It also provides a space for entering the total pairs purchased, sold and on hand when the sheet is completed, and a space for noting any transfer of pairs to another stock number. The reverse side is a size sheet with space for seventeen sizes and half sizes and for widths from AAAA to EE, less room being reserved for end than for center sizes and widths.

When an order is placed, the description of the shoes is filled in on the front side, and in the left-hand columns the order numbers, the date of order, the number of pairs and the delivery date are inserted. Under "Receipts" columns are provided for recording as many as four re-

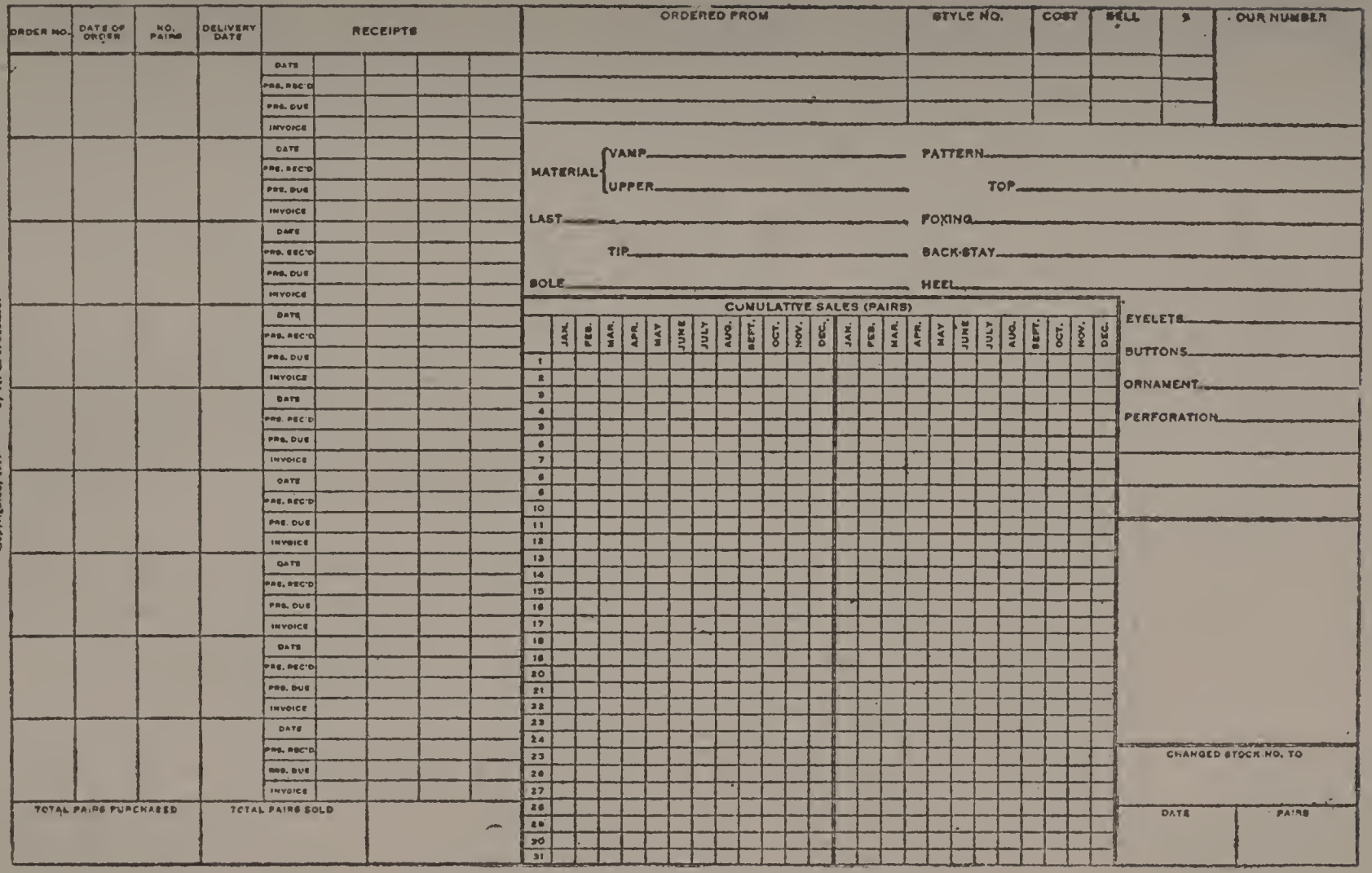



FIGURE 7 (Actual size $13\frac{3}{4}$" x $8\frac{5}{8}$")

ceipts upon a single order. Spaces are provided for nine orders. Should the merchant have some method of filing invoices by number, or "line-number" as it is termed by many, place is provided for it in the space marked "Invoice."

On the reverse side of the sheet, for each size and width ordered, a vertical mark is placed in the proper space, thus |. When the shoe is received and placed in stock, a horizontal mark is drawn, thus +. These first marks are in ink and are a part of the permanent record. When a pair is sold, a penciled circle is drawn around the cross.

Small tickets, marked with the stock numbers, the size, the width and the price, are attached to the shoe with metal clips. When a pair of shoes is sold for cash or credit, or is sent out on approval, the carton ticket is removed and turned in at the desk with the sales check. These tickets are the basis for posting sales on the stock sheets. Furthermore, if the dealer carries a reserve stock, the tickets can be used after the posting to secure the needed sizes to fill in. It is, of course, of great assistance to the person sorting the carton tickets if several colors of stamp pads are used when the stock numbers are entered upon these tickets, such as black for women's footwear, red for men's, green for children's and so forth.

## SEPARATE RECORDS FOR STOCK AND GROUP SALES

Filene's, Boston, Mass., has a system in its shoe department that provides for "piece cards," or stock sheets for individual style numbers, and a separate daily sales card for the total pairs sold by styles in the various classes of stock.

Figure 8 shows a portion of the front side of a piece card. The top is used for the descrip-

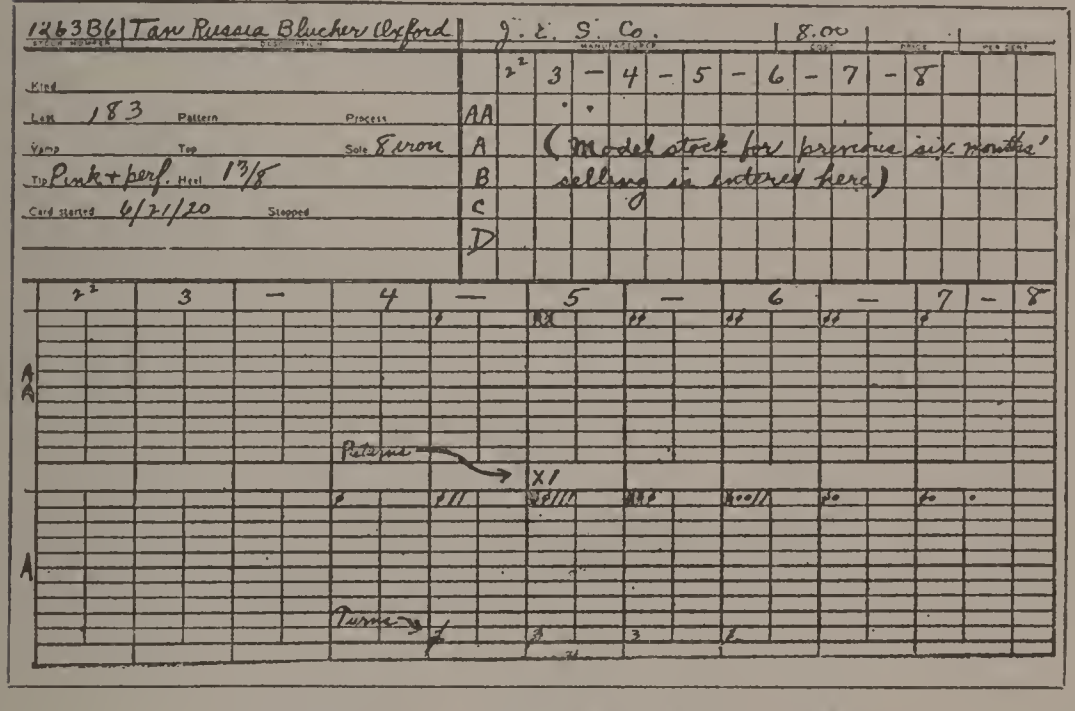



FIGURE 8 (Actual size 8½" x 11¾")

tion of the style and for a record of the movement during the previous six months' selling. The bottom is divided into six sections, each one showing all the sizes of one width. The back of the piece card is mostly given up to small squares, which can be used in any number necessary for the recording of sizes and widths ordered.

Some cards, such as for novelty pumps and oxfords, or sandals and play shoes, which are decidedly seasonal, are made out only once a year, but the others are made out twice, on September 1 and March 1. Pairs on hand at the beginning are entered by means of red-ink diagonal lines in the proper size and width spaces on the front. With each order and receipt of goods thereafter, pencil entries are made on the front and back. This difference in color serves to make very apparent the older stock.

The little rectangles into which each size and width section is divided easily accommodate five check marks; this makes counting easy, for each full row thus contains five or ten pairs, depending upon whether one or two of the unit columns are used for the size. The sorts of symbols used in the rectangles are shown in the illustration. As welts do not come in lots, but in single pairs, welt orders are entered *on the front* in dots. When the merchandise comes in, a diagonal line is drawn through each dot. In the case of turn shoes, however, the order is placed *on the back,* with date of order, date of delivery and cost. Then the figure for the number of pairs of each size and width is placed at the bottom of the proper section *on the front side.* When the goods are received, the order on the back is checked off, the figures on the front are also checked off, and diagonal lines are drawn at the top of the sections on the front.

Each pair of shoes has attached to it a two-section tag showing the stock number and the price. The top part goes with the shoes; the bottom part is clipped off at the cashier's desk. In the morning these tags are sent to the office, and each size and width sold is checked off on

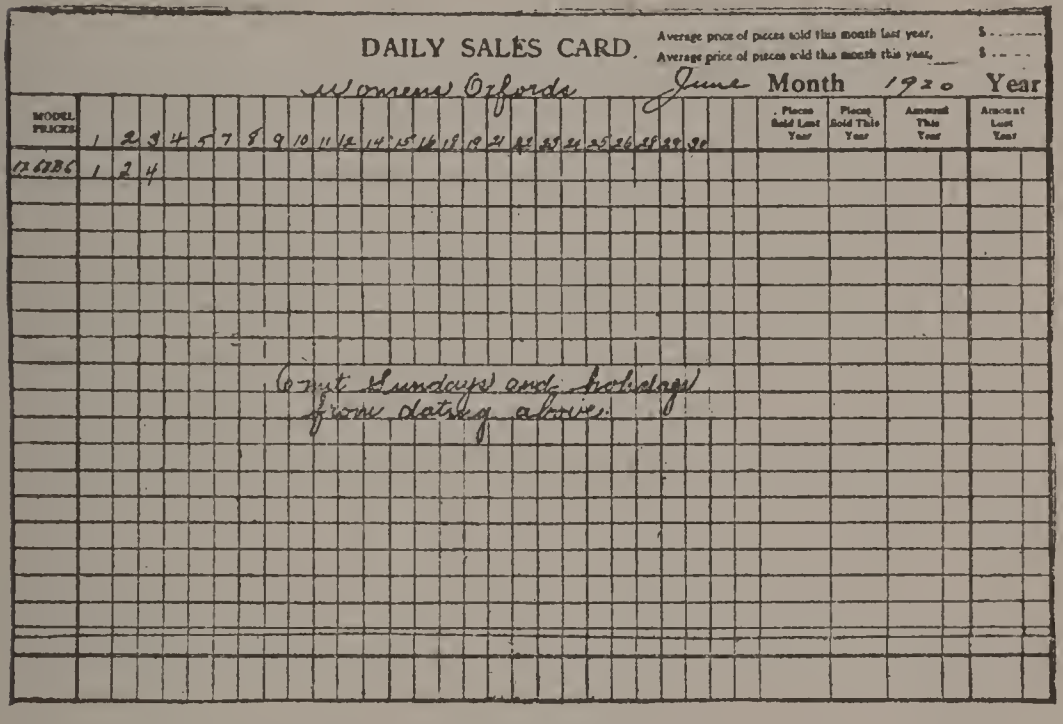

DAILY SALES CARD.
Average price of pieces sold this month last year, $
Average price of pieces sold this month this year, $
Womens Oxfords
June Month 1920 Year
MODEL PRICES
1 2 3 4 5 7 8 9 10 11 12 14 15 16 18 20 21 22 23 24 25 26 28 29 30
Pieces Sold Last Year
Pieces Sold This Year
Amount This Year
Amount Last Year
12 AAA 1 2 4
Omit Sundays and Holidays
from dates above.

FIGURE 9 (Actual size 11" x 10½")

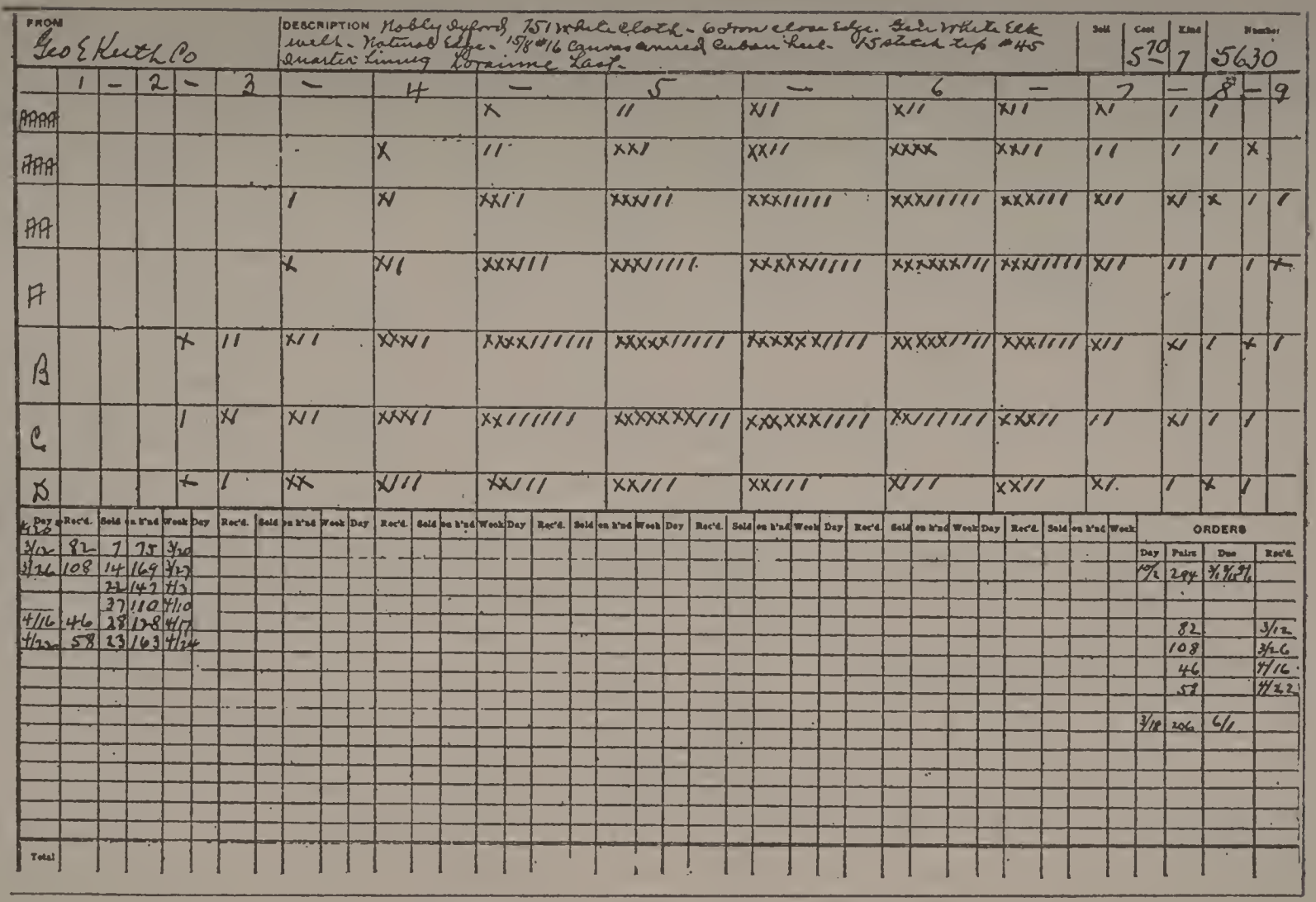
the proper piece card. When a pair of shoes comes back for exchange or credit, a small slip showing the stock number, the size and the price is filled out and turned in at the desk. This is then sent to the office and is entered with a diagonal line in the small space at the foot of the proper size and width section. Thus the piece cards show for each line exactly how the sizes and widths have been moving and what

shoes are in stock. A monthly size-up is taken to check the stock record.

The daily sales card (Figure 9) is kept to show the total sales by days for each stock number, and the total pairs and the amount for the current month and the corresponding month of the year previous. The stock is divided into numerous groups, such as women's boots, women's oxfords, men's boots, and so forth, and a daily sales card is made out for each group. Each line across the card is for one stock number. This record, therefore, shows the movement of each line and the whole group day by day, and indicates at the end of the month whether the sales in pairs and dollars have fallen below or exceeded those of the year before.

### A DETAILED, SMOOTH-WORKING SYSTEM

When a shipment of shoes is delivered to Jacobs Brothers, New Orleans, La., an entry is made by the stock clerk in a freight book to show the date, the shipper and the number of cases. The cases are then opened, and sizes are taken on ordinary size-up slips. These slips are sent to the office, where they are carefully checked with the duplicate copy of the order and with the shipper's invoice. The sizes are then transferred by diagonal lines to the loose-leaf stock sheet (Figure 10). A list is then made of the shoes,



FROM Geo E Keith Co

DESCRIPTION Nobby Oxford, 751 White Cloth - Cotton close Edge. Goat White Elk welt - Natural Effect - 15/8 #16 Canvas counter Cuban heel - 15 stack tips #45 Quarter Lining Lorraine Last.

Sold | Cost 5 70 | Kind 7 | Number 5630

| | 1 | – | 2 | – | 3 | – | 4 | – | 5 | – | 6 | – | 7 | – | 8 | – | 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AAAA | | | | | | | | X | // | XI | XII | XI | XI | / | / | | |
| AAA | | | | | | | X | // | XXI | XXII | XXXX | XXII | // | / | / | X | |
| AA | | | | | | / | N | XX/ | XXXII | XXXIIIII | XXXIIIII | XXXIII | XII | XI | X | / | / |
| A | | | | | | X | NI | XXNII | XXXIIIII | XXXXXIIIII | XXXXXIII | XXXIIIII | XII | // | / | / | / |
| B | | | | X | // | XI | XXNI | XXXXIIIIII | XXXXXIIIII | XXXXXIIII | XXXXIII | XXXIIII | XII | XI | / | X | / |
| C | | | | / | N | XI | XXXI | XX/IIIII | XXXXXXII | XXXXXIIII | XXIIIII | XXXII | // | XI | / | / | |
| D | | | | + | / | XX | XII | XX/II | XXIII | XXIII | XIII | XXII | XI. | / | X | / | |

| Day 4/22 | Rec'd. | Sold | on h'nd | Week | Day | Rec'd. | Sold | on h'nd | Week | Day | Rec'd. | Sold | on h'nd | Week | Day | Rec'd. | Sold | on h'nd | Week | Day | Rec'd. | Sold | on h'nd | Week | Day | Rec'd. | Sold | on h'nd | Week |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3/12 | 82 | 7 | 75 | 3/10 | | | | | | | | | | | | | | | | | | | | | | | | |
| 3/26 | 108 | 14 | 169 | 3/17 | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 22 | 147 | 3/3 | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 37 | 110 | 3/10 | | | | | | | | | | | | | | | | | | | | | | | | |
| 4/16 | 46 | 28 | 128 | 4/7 | | | | | | | | | | | | | | | | | | | | | | | | |
| 4/22 | 58 | 23 | 163 | 4/24 | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

ORDERS

| Day | Pairs | Due | Rec'd. |
|---|---|---|---|
| 4/22 | 294 | 3/16 3/31 | |
| | 82 | | 3/12 |
| | 108 | | 3/26 |
| | 46 | | 4/16 |
| | 58 | | 4/22 |
| 3/10 | 206 | 6/1 | |

FIGURE 10 (Actual size 14" x 8½")

if any, needed for the forward stock, and it is given to the stock clerk for these pairs to be pulled and sent out.

This brings the shoes to the selling floor. Next is the process after the sale. A sales slip (white for the men's department and pink for the women's) is made out to show the stock number, the size and the price. A cash register is used which stamps the original and the duplicate sales slips, and the original and the duplicate wrapper's vouchers attached thereto. The register cuts off the duplicate wrapper's voucher and drops it in a locked box. The wrapper tears off the original wrapper's voucher, which reminds him in large type that the style and the size of the shoes must correspond with the check, and places it on file to be returned later to the cashier. This serves as a check against inaccurate entries of stock numbers and sizes by the salesman.

The duplicate sales slips are taken to the office and sorted by stock numbers. Then each sale is checked off by drawing a counter-diagonal line in the proper space on the stock sheet. If this sheet shows that a pair of the sold size is in reserve, the stock number and the size are entered in a "duplicate book." When this is sent to the stock room, the duplicate sizes are pulled and sent to the selling floor. In the meantime the sales slips have been checked against the empty cartons on the shelves, both being marked with

a date stamp. Returns, it should be added, are put back on the stock sheet in red ink.

The next step is the compiling of the total number of pairs sold under each stock number, for entry in the "Sold" column at the bottom of the stock sheet. After the bookkeeper has prepared a summary sheet of sales for the preceding day, the sales for each stock number are entered on sheets containing lists of the active stock numbers for men and for women. A diagonal line after a stock number denotes a sale; one in front of it, a return. At the end of the week the net sales for each stock number are entered on the stock sheet in the "Sold" column. This procedure serves to make the total pairs in the "On Hand" column a check against the sizes and widths listed above as still in stock.

### A COMBINED RECORD AND COUNT SYSTEM

The Regal Stores use a system which is noteworthy because it combines a running record of receipts and sales with an actual monthly count of sizes and widths on hand.

Each store has a loose-leaf stock book containing sheets; one for each stock number. When styles contain less than six pairs, they are combined on one sheet. Owing to variations in the runs of sizes for different kinds of goods, the sheets are made up in five groups, as follows: Men's narrow toes and English lasts; men's broad toes and straight lasts; women's narrow

toes and high heels (including $1\frac{3}{4}$ inch heels and higher); women's wide toes and low heels; and

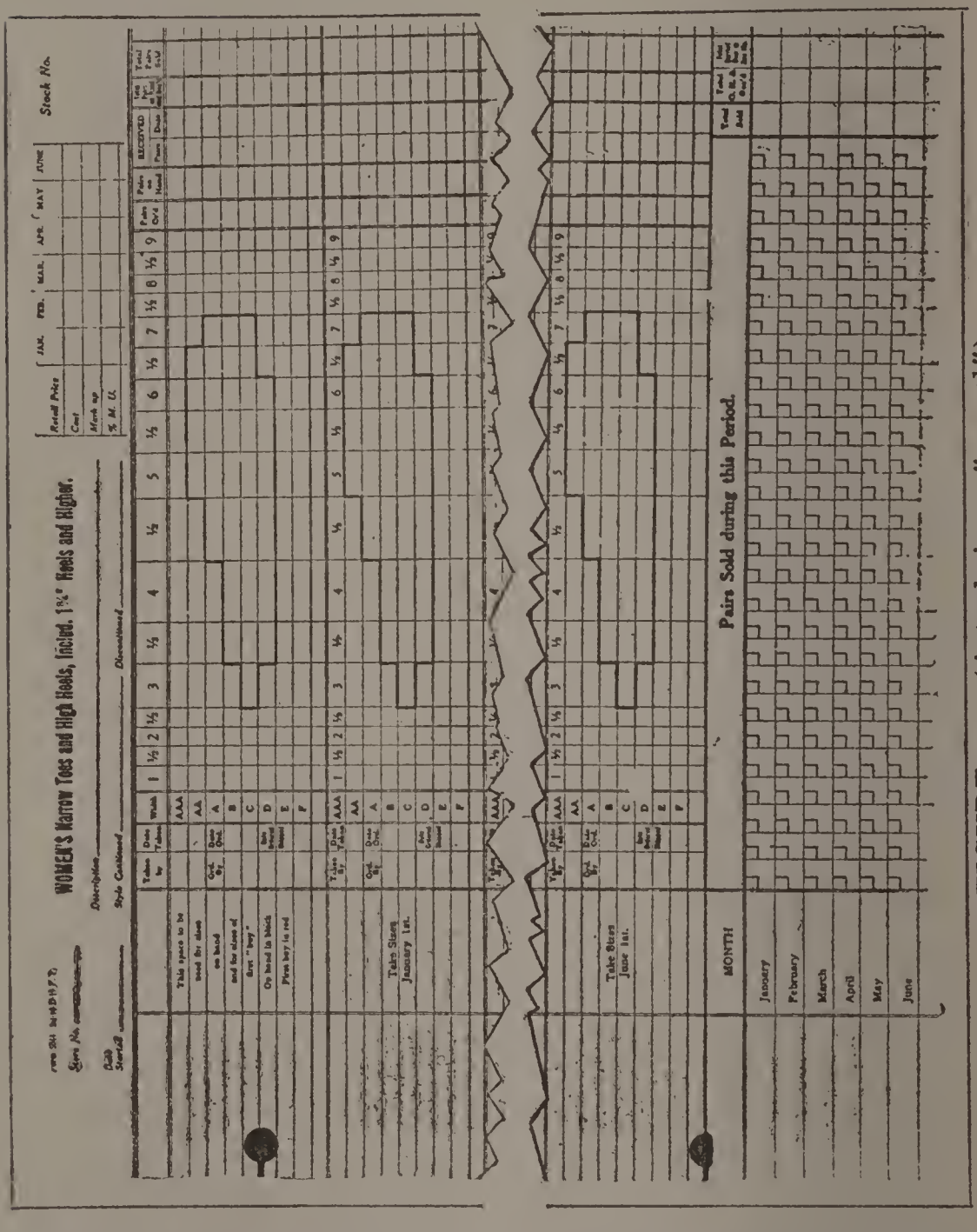



FIGURE 11 (Actual size 14" x 15¼")

infants', children's, misses', growing girls', little gents' and boys'. The stock sheets for the composite group at the end have the size heading left blank, but those for men and women have

the proper run of sizes printed in and also charts drawn to define the central buying areas; which means those sizes for which there is the most general or popular demand.

Figure 11 shows the front of the form for women's narrow toes and high heels. From this it can be seen that the front of each sheet is composed for the most part of a series of blocks, each containing at the left spaces for dates and the initials of employees ordering goods, in the center a "size and width" section for orders, receipts and stock on hand. At the right there are columns for a summary *by pairs* of orders, receipts, stock on hand plus receipts, and sales. Below these blocks is a section for recording the daily sales by pairs and for making a general summary to show the number of pairs still on hand at the end of the period. The whole reverse side of the sheet is given up to a record of sales by sizes and widths, the spaces being large in the central buying section and small for the end sizes and widths.

Each sheet covers a six months' period. The top block on the front covers the whole period; and each one underneath, one month. The top block is for recording in black numerals the sizes on hand at the beginning, and in red lines (one to a pair) the initial orders of the stock to be bought during the six months. The next step is to the monthly blocks. The pairs first ordered are spread over these blocks in accordance with

the expected deliveries, red lines being drawn in the proper size-and-width spaces. As each ordered pair is received, the bottom half of the respective red lines in the six months' block and in the monthly block is covered up with a black mark. If a pair scheduled for delivery in a certain month is not received, the red line for it is carried forward to the next monthly block. Fill-in orders are marked in blue in the top block and the proper monthly blocks, the color distinction being made so that the store will have a guide for making up initial and fill-in orders the next year. The lower half of the blue marks is covered with black when the shoe comes in.

The proper use of the blocks gives in the middle a record of orders and receipts by sizes and widths, and in the columns at the right a summary by pairs. The last column on the right, "Total Pairs Sold," is filled by adding the number of pairs on hand at the beginning to the receipts, and subtracting the number of pairs found by actual count to be on hand at the beginning of the next period. A check against such sales figures is given by the daily sales record at the bottom of the front of the sheet. There, below the little squares for the days of the month, the pairs sold each day are entered in figures; the posting being made from the sales slips. On the reverse side the sales are posted by sizes and widths, but totals are not taken off until the end of the six months.

A few words may well be added regarding the actual count of stock each month. The stock on hand at the beginning of each month could be determined by a detailed check of sales against receipts and stock on hand for the past month; but if any error had been made in the recording of these data, it would automatically be carried forward. Hence at the beginning of every month the sizes and widths on hand are determined by actual count. Notice the instruction at the left of each block, "Take Sizes January 1st." If the size-up results as entered in the extreme right-hand or "Total Pairs Sold" column, show a figure which checks with the sales as posted at the bottom from the sales slips, then the accuracy of the record has been checked. If there is a difference, the error is confined to the proper month, and the new month starts out charged with only the exact pairs on hand.

### SALESMAN PREPARES STOCK DATA

The system used by Cohen Brothers, Jacksonville, Fla., is unusual in several respects. The stock record form is distinctive; the manner of indicating sales is out of the ordinary, and the salesmen play an important part in the preparation of data for the stock record.

Figure 12 shows a corner of the stock sheet. Each sheet carries a description, the manufacturer's name and the stock number. Across the top, of course, run the sizes; then size columns

are provided. Each size-and-width space is divided into four rectangles, two for shoes in stock and two for shoes on order.

At inventory time sizes are taken on every style, and the stock book is adjusted so as to

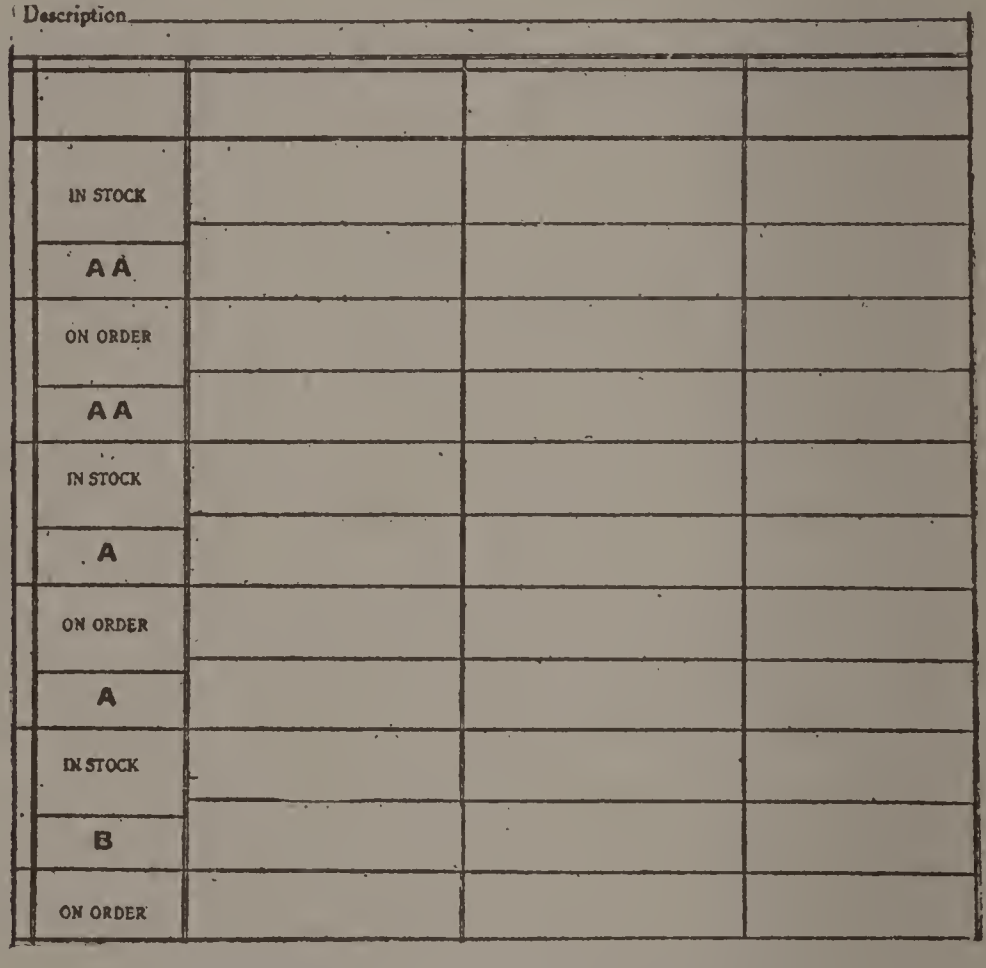



FIGURE 12 (Actual size 22" x 14")

start the year correctly. As goods are ordered, they are entered with a red pencil in the "On Order" spaces; and as they are received, they are marked with a black pencil in the "In Stock" spaces. At the time of sale, the on-hand marks are *erased*. When merchandise is returned, it is again entered on the stock sheet.

The sales slip shows the stock number, the size and width, and the price, but posting to the stock book is not done directly from these slips. Nor are carton tags or labels used. Instead, in the evening, each salesman makes out a daily sales record (Figure 13) from the tissue copies

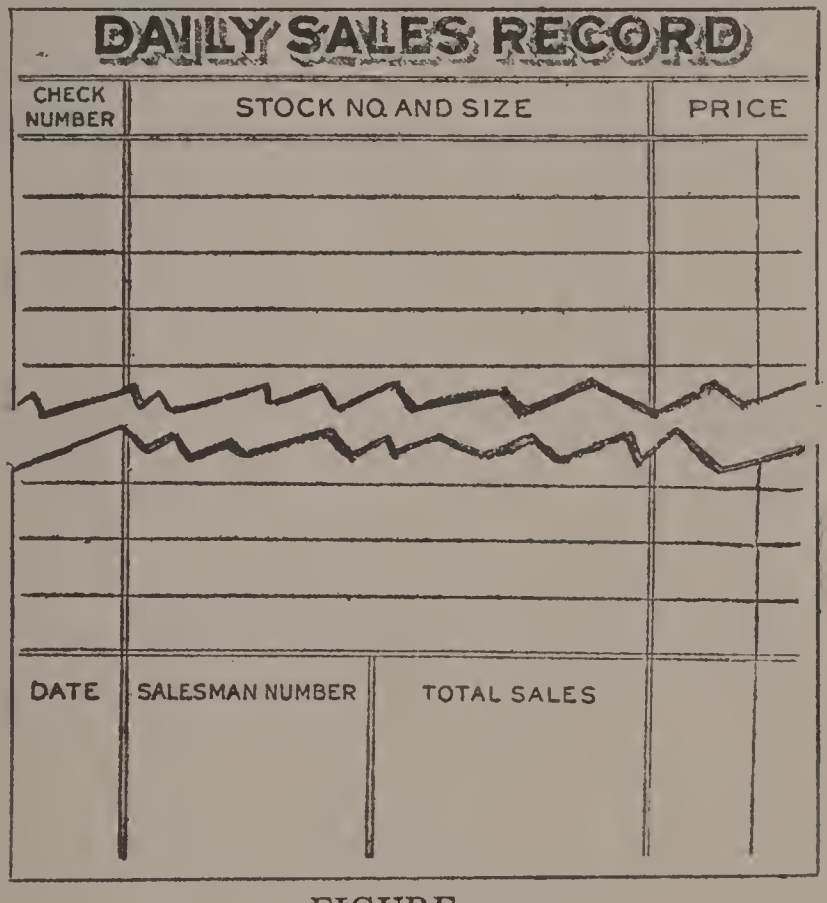



FIGURE 13

in his sales book, and turns it in to the office. The office girl then makes the necessary erasures from the stock sheets, according to the information as shown on the sales records. As the manager's assistant signs for returns, he lists them on the same sales record form, but they are marked "Credits" and the girl later adds them to the stock sheets.

## HOW A WESTERN STORE ORDERS

The system of the Van Degrift Shoe Company, Los Angeles, California, reflects the fact that the company is far removed from Eastern

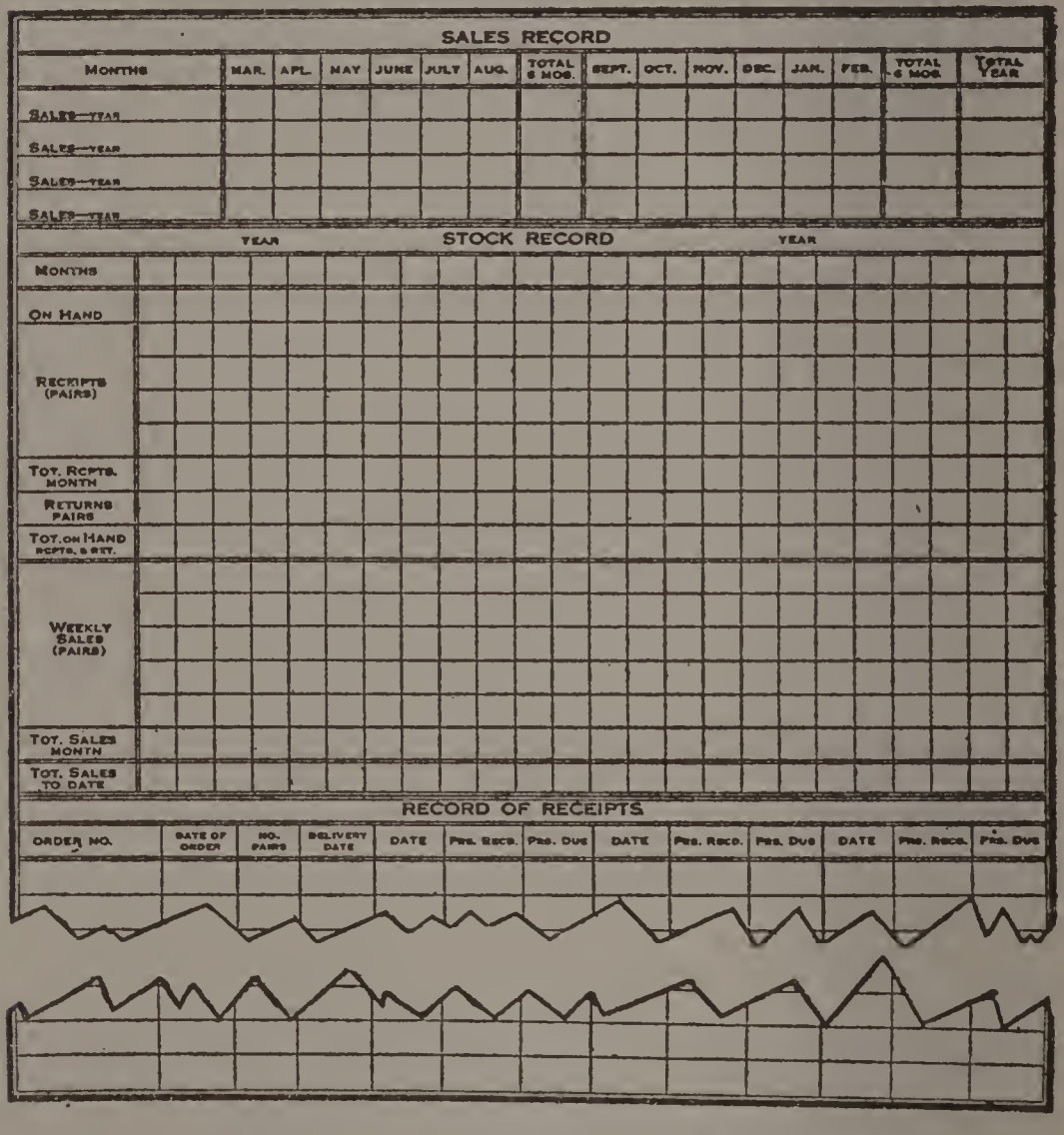



FIGURE 14 (Actual size 8½" x 14")

markets and needs to have data ready for larger initial orders, and less frequent fill-ins, than a store located near the sources of supply.

Figure 14 shows the front of the stock record. However, to begin with, a description will first

be given of the reverse side. This contains, at the top, spaces for stock number, price and description, and thereunder six blocks, one to a width. At the left of each block is a date column, and at the right, columns for the date of receipt and the date of shipment. Beginning at the top of each block the company inserts the inventory figures. The count of stock is made as near as possible to the main buying periods, usually about October 1 for spring buying and April 1 for fall buying. This date is entered in the left-hand column. Pairs on hand in the main store are indicated by dots; those in the branch stores by dashes. Six months later the next inventory is entered on the line below.

The store purchases sixty per cent of its stock on initial orders based on the inventory and its buying summaries. Beginning at the bottom of each size block, it records with dots the pairs ordered, with date of the order on the left and the date of shipment on the right. The next order is placed on the line above, so that the inventories and the orders in each size block run toward each other. As goods are received, the date is entered on the right, and each pair is checked off by drawing a diagonal line downward from the dot. Left-to-right lines are used for receipts on one order, and right-to-left lines on the next order. The figure 9 is used to indicate the receipt of a wrong pair.

The store has some orders to send in during

each season, and it needs more recent data regarding sizes and widths on hand than the latest inventory figures. Hence each month it takes a size-up of the stock in both stores (by dots and dashes) and by placing the size-up sheet above each block on the stock record it readily determines what fill-ins are advisable. This monthly size-up is not taken at any fixed time, but it usually is completed around the twentieth to twenty-second, so that orders can be mailed on the twenty-fourth or twenty-fifth. The store also takes size-ups half way between the monthly checks, that is, every two weeks. However, these are only to effect the proper adjustment of stock on hand between the main and the branch stores.

Now for the front. The function of the receipts summary at the bottom is apparent. The sales record section is used for recording the total sales in pairs by months for preceding years and the present year. This section is filled out for men's shoes, but except for house shoes and certain other styles in women's shoes it is left blank in the women's department — women's styles as a rule do not have a life history of several years. As for the stock section in the middle, it need be pointed out merely that the company now is using the weekly sales space not for entering the sales each week, but for recording the semi-monthly sales in the main store and the branch store. The daily

sales slips are listed on an analysis sheet according to stock numbers and checked off by groups of five, so that the semi-monthly total for each stock number in each store may be quickly determined. Returns from customers are shown by the use of dots.

At the end of each season the management prepares a series of summary sheets, using the sales record section of the same form, to show the total number of pairs sold by months in the various groups of the shoe classification. These sheets are inserted at the heads of the sections in the stock binder, and at the very beginning is placed a grand summary. Such summaries help to determine the total number of pairs that should be bought for the new season, and the individual stock sheets aid in showing how many pairs should be purchased of each line of shoes.

# CHAPTER IX

## SPECIFIC STOCK RECORDS (*Continued*)

### MAINTAINING A DAILY PAIR SUMMARY

It is not so essential for the retail shoe salesman to have a detailed working knowledge of the actual workings of many systems of stock-keeping as it is for him to thoroughly understand the principles on which they are operated, the exact information furnished and the uses to which such information may be put after it has been obtained. These are the truly important features. The salesman, therefore, in considering these subjects should aim to get a thorough knowledge of the results furnished so that he, as a successful merchant in the making, may be in a position to interpret facts and draw conclusions on the sound basis of knowledge rather than on the hit or miss plan of guesswork and hope.

The effective use of a daily pair summary, without a running record of the movement by sizes and width, is shown in the case of W. C. Goodwin, Fitchburg, Mass. This dealer uses a loose-leaf daily financial report, which contains on the reverse side a pair summary by depart-

ments and classes. This summary is shown in Figure 15; the "W-O" stands for Walk-Over and the "O-S" for other shoes.

The operation of the blank is simple. In the case of men's high shoes, for instance, the first

DAILY PAIR SUMMARY

DAY AND DATE_____

| STOCK REPORT | MEN'S HIGH | | MEN'S LOW | | MEN'S WORK | TOTAL MEN'S | WO'S HIGH | | WO'S OXFORDS | | WO'S PUMPS | | TOTAL | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PAIRS | W-O | O-S | W-O | O-S | | | W-O | O-S | W-O | O-S | W-O | O-S | WOMEN'S | MEN'S AND WOMEN'S |
| PAIRS ON HAND | | | | | | | | | | | | | | |
| PAIRS RECEIVED | | | | | | | | | | | | | | |
| TOTAL | | | | | | | | | | | | | | |
| PAIRS SOLD | | | | | | | | | | | | | | |
| PRS. RET. TO MFR. | | | | | | | | | | | | | | |
| BALANCE ON HAND | | | | | | | | | | | | | | |

| STOCK REPORT | BOY'S, YTH'S, LT. CH'T'S | | MISSES & CHILDREN'S | | RUBBERS | SLIPPERS | TENNIS | | TOTAL | GRAND TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| CART'S | HIGH | LOW | HIGH | LOW | | | | | MISCELLANEOUS | ALL PAIRS |
| PAIRS ON HAND | | | | | | | | | | |
| PAIRS RECEIVED | | | | | | | | | | |
| TOTAL | | | | | | | | | | |
| PAIRS SOLD | | | | | | | | | | |
| PRS. RET. TO MFR. | | | | | | | | | | |
| BALANCE ON HAND | | | | | | | | | | |

FIGURE 15 (Actual size $10\frac{1}{2}$" x $9\frac{1}{2}$")

entry is the number of pairs on hand, the figure being carried forward from the preceding daily summary. Then the pairs received are added, and the pairs sold and returned to the manufacturer are deducted, the remainder being those still on hand. Such compilations for the various groups shown in the illustration give a picture of the whole stock by pairs.

The daily pair summary, of course, does not indicate the condition of the stock as regards sizes and widths. This problem is handled through size-ups. Each salesman is responsible

for a certain section of stock, and he takes off sizes whenever he sees a line in his section beginning to get broken. The salesmen turn the size-up sheets over to the merchant and he orders fill-ins or directs the pushing of the end and left-over sizes and widths as his judgment dictates. Through the daily summary, therefore, he watches the general movement of the stock, and through the size-ups he keeps an eye on the movement of individual styles and of sizes and widths.

## MINIMIZING DETAILS

A stock system that aims to keep track of the stock with as few details as possible is that used in the shoe department of the Gilchrist

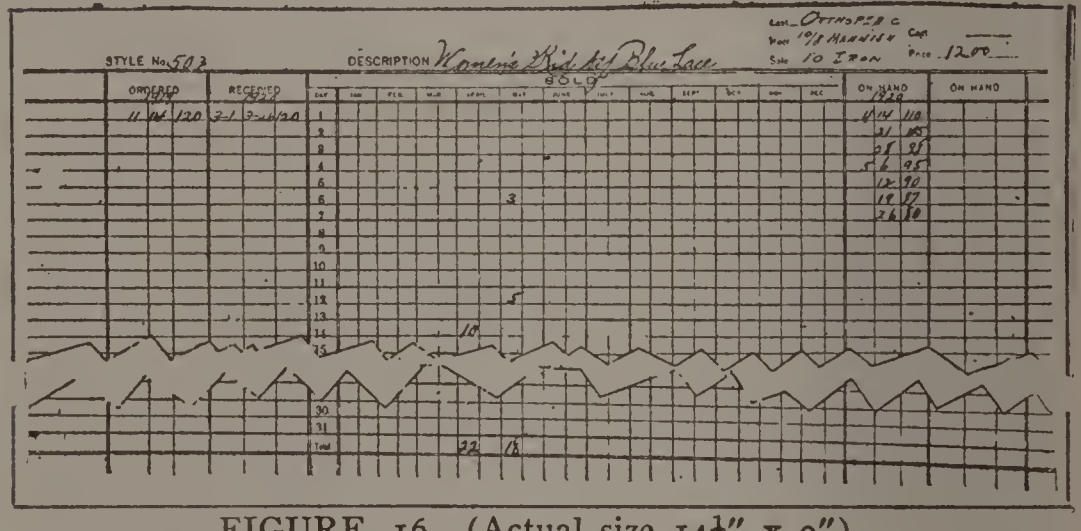



FIGURE 16 (Actual size 14½" x 9")

Company, Boston, Mass. The basis of the system is actual inspection of stock on hand.

The store has a card file in which it keeps a record of the total orders in each stock number by sizes and widths. The stock sheet Figure 16

for each number, however, is run entirely by pairs. In the left-hand column of this sheet the total number of pairs on each order is entered, and in the next column the number of pairs as received. On the right is an "On Hand" section, in which the number of pairs in stock is recorded. The second "On Hand" column and the second sales columns for each month can be used for comparative figures of the preceding year.

The sales are posted weekly. They are not determined from the sales slips, for these are made out without stock number and are sent directly to the auditing department for use in calculating merely the total sales of the department. The number of pairs sold each week is determined simply by finding out how many less pairs are on hand at the end than at the beginning plus those received during the week. Thus the illustration shows 120 pairs received in March, and 110 pairs on hand April 14; the entry of sales for the week ended April 14 is, therefore, 10.

The number of pairs on hand is not determined every week just by counting cartons. It is necessary to keep track of the movement of sizes and widths as well as the sales by pairs, and this fact leads to a combination system of carton counting and sizing up. Every two weeks a complete listing of the stock by sizes and widths is made, and in the intervening weeks a count is made by cartons. Each size-up, of

course, gives, upon addition, the number of pairs on hand for every stock number. By varying the form of the weekly inspection, therefore, the company secures what it considers a sufficiently frequent check on sizes and widths, without neglecting the matter of ascertaining each week the number of pairs on hand.

## PUTTING A STOCK SHEET TO GOOD USE

How effective use can be made of a simple stock sheet is evidenced by the practice of the Hart Shoe Store, Helena, Arkansas. When an order is placed with a manufacturer or wholesaler, the loose-leaf form shown in Figure 17 is

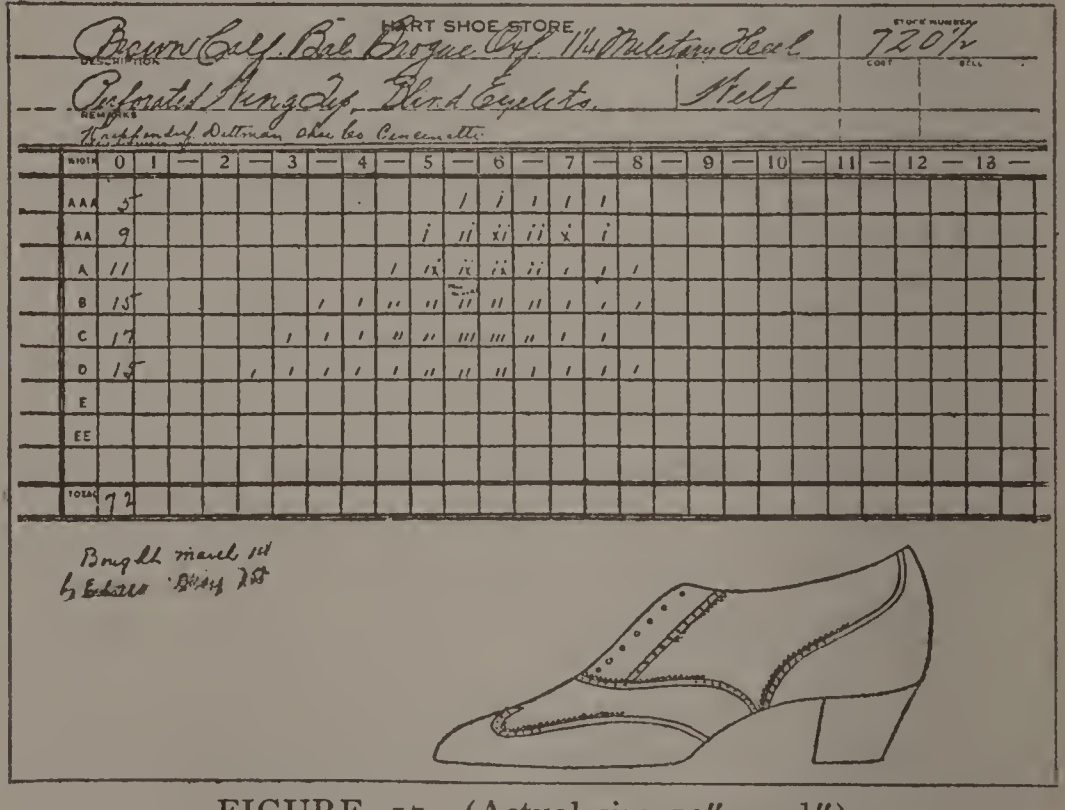



FIGURE 17 (Actual size 12″ x 9½″)

written up to show stock number, full description, shipping dates, and pairs in each size and

width. Each pair is indicated by a diagonal line. The sheet also includes a drawing of the style, this being easily and quickly made from cardboard patterns.

The sheets when filled out are put in an order binder (Book No. 1), where they stay only until the goods are received. Then a dot for each pair delivered is placed over the order mark, and the sheet is transferred to the stock binders (Book No. 2 for high shoes and Book No. 3 for low shoes). Thus one form and three binders are used. The individual sheets in the stock books are arranged numerically by stock numbers.. At the time of sale the stock numbers are written on the sales slips. From this information the pairs sold are later checked off the stock books each day by drawing counter-diagonal lines, thus forming an X to indicate pairs sold.

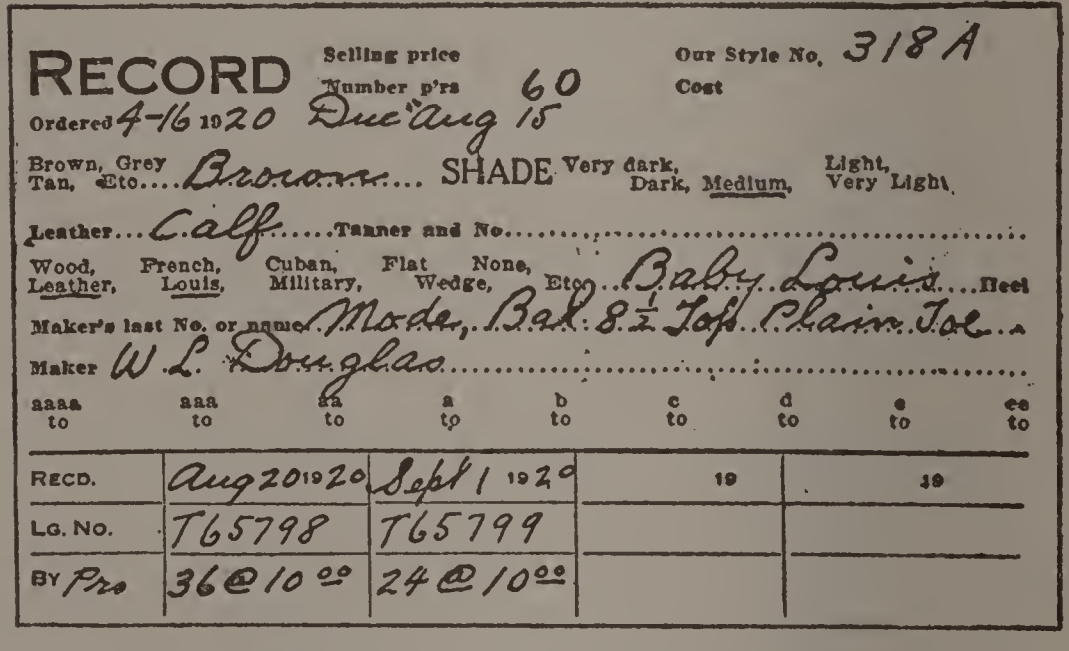
In the illustration a customer's name is written above the ordered marks in the $5\frac{1}{2}$B space. Often a customer inquires as to whether or not a certain shoe is coming in and, if it is, asks to be notified at the time of receipt. Writing the name on the record leads to immediate notification as soon as the size is checked in.

By means of this system the store ascertains the lines that need re-ordering and those that demand special sales efforts. Moreover, at the end of the buying each season the store prepares from the records a summary of the total pairs handled. It takes the same form as illustrated

and on one sheet computes the total number of pairs in each size and width on hand at the beginning and on another the total number of pairs in each size and width ordered. The in-stock totals are then added at the bottom of the purchase summary. The two sheets are filed in the back of the order binder (Book No. 1) and are used as a buying guide the next year.

## STOCK RECORDS WITH THE USE OF TWO SMALL FORMS

How it is possible to put valuable information in a small space is shown by the system used by



RECORD Selling price Our Style No. 318 A
Number p'rs 60 Cost
Ordered 4-16 1920 Due Aug 15
Brown, Grey Tan, Etc.... Brown SHADE Very dark, Dark, Medium, Light, Very Light
Leather... Calf ...Tanner and No.
Wood, Leather, French, Louis, Cuban, Military, Flat Wedge, None, Etc. Baby Louis Heel
Maker's last No. or name Mode, Bal. 8½ Toe Plain Toe
Maker W. L. Douglas

| | aaaa to | aaa to | aa to | a to | b to | c to | d to | e to | ee to |
|---|---|---|---|---|---|---|---|---|---|
| RECD. | Aug 20 1920 | Sept 1 1920 | | | | 19 | | 19 | |
| LG. NO. | T65798 | T65799 | | | | | | | |
| BY Pro | 36@10 00 | 24@10 00 | | | | | | | |

FIGURE 18 (Actual size 3" x 6¼")

Rodgers' Shoe Store, Decatur, Illinois. This store uses a small loose-leaf form as illustrated in Figure 18, for recording orders and receipts of goods. The front side gives a detailed de-

scription of the style, the total number of pairs ordered and the number of pairs received. Since the shoes may come in several shipments, four receipt spaces are provided.

The reverse side of this record form contains a size block. Here the number of pairs in each size and width ordered is recorded by numeral from the duplicate of the order. If the salesman has a customer for this shoe, he can tell from the order record whether or not the desired size is coming and about when to expect it.

The store does not keep a record of sizes and widths sold but depends on occasional size-ups for handling the size and width problem. In order to be in touch with the general movement of the style, however, it uses a white sheet for recording the pairs as sold. The stock number, the description, the cost, the selling price and the total number of pairs received are filled in from the order record sheet. Then the sales for each month are marked off in groups of five on the cross lines. By counting the marks and subtracting the total from the pairs at the beginning, the number on hand at any time can be quickly found.

### "O AND E" STOCK DESIGNATION

One stock record feature with which the salesman should be familiar is the "O and E" designation, meaning "Odds and Ends." This is often used to take the place of a stock number. Care-

ful examination of the stock sheets will disclose certain pairs of shoes lagging on the shelves, a pair here and a pair there, certain widths, sizes and styles. Occasionally these may be taken off the original stock sheets and charged to the "O and E" sheet which is kept the same as that for, say stock number 303 or any other number. This "O and E" designation is then carried through all the system, exactly like any stock number.

## WHEN UNSTOCKED LINES ARE WANTED

For the sake of a high turnover it pays to keep very close track of the style demands of customers. Part of the observation along this line may well be devoted to making notes of the requests for styles not carried in stock.

**MERCHANDISE CALLS**

| ARTICLE | Customer's Remarks (Description Etc.) |
|---|---|
| Black Lace Boot Military | Heel |
| 6 B | No - |
| Cash Sale # 529 6½ B | Yes |
| White Wash Kid High Boot | Louis Heel |
| 6 A ½ | Yes |
| White Kid Buck | Lace One Strap |
| 4½ B | Yes |
| | |

Dept. 26 S. P. 20 Date 6-23

FIGURE 19

For such work the Gilchrist Company, Boston, uses a slip as shown in Figure 19. This company requires each salesman to make a note of the article called for, the customer's description and the size, with a "Yes" to denote that some other style was purchased or a "No" to indicate that the customer

went away empty-handed. Many other retailers keep such special records of every customer who leaves without buying

These devices often prove very useful. If there are frequent demands for a certain style and it is not too late in the season, the retailer can order a few pairs and stand a very good chance of getting quick action on his investment. When the salesman is asked to record demands for merchandise not in stock or list all unsold customers, he should not look upon the work as useless or as indicative of failures in salesmanship, but as helpful to the management in the handling of its turnover problem.

### RETURNS NEED SPECIAL RECORDING

When a salesman has sold a pair of shoes and the sale has been entered upon the stock records, the system, except for purposes of summary, is generally no longer concerned with that pair. Sometimes, however, the pair is brought back for an adjustment, and then special care may be necessary to see that the transaction is properly recorded.

The two main causes of returned shoes are imperfections or damages, not noticed at the time of sale, or the sending out of several pairs on approval for the selection of one pair. In the first case the return may not be permanent, for the management may well prefer, since the shoes are probably worth more to the buyer than to

any other customer, to make a partial cash refund. Such an allowance concerns only the financial records of the store. If, however, the returned shoes are exchanged for a new pair or are simply put back in stock, it is essential to have the stock records show the transaction. Otherwise, after an exchange for another pair, the stock record would not indicate the existence of the original stock; and, after a return, the record would show stock on hand short one pair or sales too large by one pair. These transactions, therefore, should be handled in such a way as to insure that the stock records will show the real state of affairs.

The same is true in the second case—of the return of goods sent out on approval. This practice is not the best merchandising, because the store may send out several dozen pairs of shoes in that way in the course of a few days, and when other customers come in the salesman may not be able to give them what they want. Moreover, goods sent out on approval are seldom as good as new when brought back, for they may be soiled or slightly worn. Besides lost sales and lessened salability, too, there is the danger to turnover, for the dealer must invest more money in stock than he would if he did not always have a large portion of his merchandise off his shelves. For these reasons the approval-and-return practice has grown out of favor in many stores. Wherever the practice is

used, it is advisable to keep in touch with the number of returns in order to prevent any more approval business than is absolutely necessary.

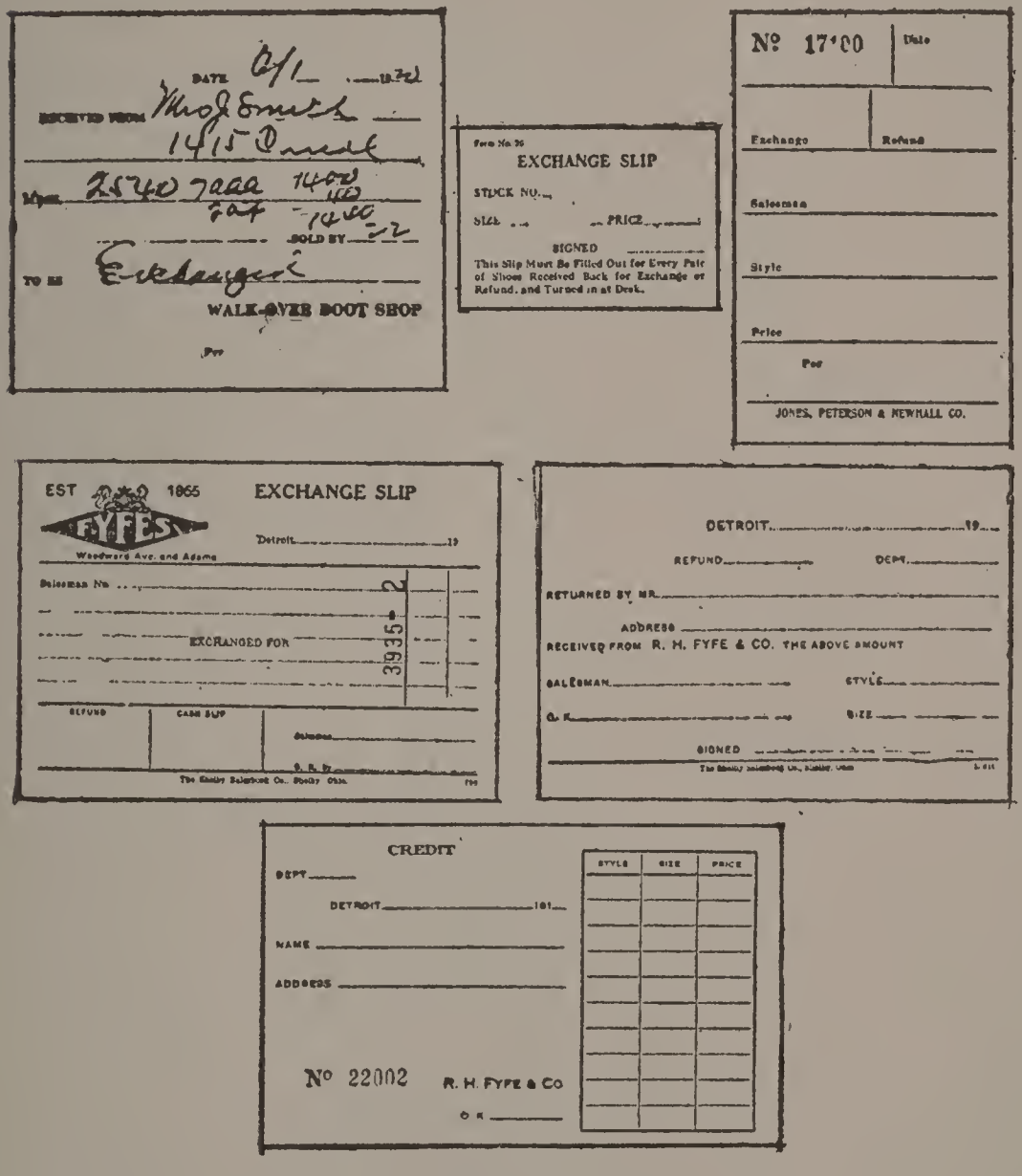



FIGURE 20

The first step in recording a returned pair is to have an original record filled out by the salesman. Various forms are in use, but the general system is for the salesman to use a small slip

which is O. K.'d by the proprietor, manager or some one else in authority. Figure 20 shows some forms found in practice. Separate forms may be used, as in the case of R. H. Fyfe & Company, Detroit, Michigan, for a pair returned for cash, for a pair exchanged and for pairs to be credited to customers who have returned approval goods. Or one form may be used, with a blank space for writing in "Exchange," "Refund," or "Credit," as shown in the form used by the Walk-Over Shop. Attention is called to still another type of form showing separate spaces and printed headings for "Exchange" and "Refund." This is a blank used by Jones, Peterson & Newhall Company.

Moreover, the form may be made out in duplicate or triplicate. The original in either case goes to the accounting office and the duplicate to the customer. If a triplicate is used, it serves for checking the shoes returned and making the proper entries on the stock record. Otherwise the original must be used for this purpose, unless a special form is added for the convenience of the stock clerk. Filene's for instance, does not use its financial record of the transaction but has a separate slip, the smallest of those shown in the group, Figure 20, which must be filled out for every exchange or refund and turned in at the desk.

The essential point is to have in some part of the return system a record of the stock number

and the size of each pair returned. Then a separate part of the record should be transferred to the stock clerk or, if preferred, the whole record might be transferred to him. This enables the clerk to check each pair before it is re-boxed and returned to stock, and to enter on the stock sheet the receipt of each pair. In making the stock sheet record, it is usually better to show the returned pair as a receipt. This puts the pair back with the stock on hand. The net sales can then be determined by deducting the total returns from the total sales. Unless the net sales are figured daily a *permanent* record of returns should be kept. If, for instance, a mark thus / for the original receipt of a pair is crossed by a mark of \ at the time of sale, it is not sufficient to draw a penciled circle around the combined × mark in the case of a return and then erase the circle when the returned pair is again sold. It is necessary to give the receipt of the returned shoes a distinctive mark, so that the total returns in any period can be calculated in an instant.

## SOME STOCK RECORD BETTER THAN NONE

These are examples of some of the pair and the size-and-width records that are in use among shoe retailers. The system in your store may not be exactly like any described; that is not necessary if the general principles are the same. But if your system neglects to provide proper

handling for any stock-control problem, or if the merchant is working by guess instead of knowledge, then you have in the preceding discussion material for fruitful suggestions looking to improved stock-control methods.

A good stock-control system helps the retailer to keep properly stocked up and to reduce or do away with lost sales. It makes more turnover possible. It enables the dealer and the salesmen to watch fast-moving lines. It helps them to get the burden of slow-moving lines off rent, off advertising, off capital. It helps them to keep end sizes moving, so as to sell more stock at a time when there is a chance to realize 100 cents on the dollar. Remember these advantages, therefore, and do your best toward the careful operation of the system most suitable for your store.

# CHAPTER X

## CONTINUOUS INVENTORY

### WHY INVENTORY IS IMPORTANT

The inventory shows the value of stock on hand. This figure is essential. In the first place, if the dealer is trying to get along without pair and size-and-width records, he can only guess about the movement of individual lines, but still with occasional departmental inventory figures he can hold down his investment in each department and turn his dollars to better advantage. The reader recalls, of course, that the cost of sales divided by the average inventory gives the rate of turnover. Even with only a total inventory figure, he can see whether the whole investment is rising or falling, and thus try to keep the total amount within the limits required for a high turnover. In the second place, if the dealer is progressive enough to keep adequate stock records he still needs to know the inventory figure in order to keep the volume of purchases and the deliveries so adjusted to sales as to secure the highest rate of turnover. Moreover, he needs the inventory for making up his statements as to department profits and total profits.

And, however disposed the retailer may be toward stock records, he is not safe without a record of successive inventories for use in insurance adjustments in case of fire loss, damage, theft, and so forth. The insurance company demands some form of evidence as to actual losses. If the merchant is in a position to show correct stock records his problem of getting a satisfactory adjustment is greatly simplified.

Today inventory figures are obtained through two means, a continuous record and an actual or physical count. The salesman is not directly concerned with the first, but he is with the second. The second, however, is used in many cases as a check against the first; so the salesman should understand both kinds.

### PRINCIPLE OF CONTINUOUS INVENTORY

The old-time business man looked upon retailing as a prolonged battle from whose smoke and dust he emerged once or twice a year to count his dead and see what luck had brought him in the way of gains. The modern retailer, however, tries to watch the movement of business from day to day and exercise real generalship in the handling of his forces.

This change in the attitude of the merchant has led to the working out of the continuous inventory idea. Instead of depending solely upon a semi-annual or annual count of stock, the progressive dealer now keeps a running rec-

ord of his total investment in merchandise. He may even find it advisable to keep in touch with the investment in each department. He thus is able to correct any bad tendency in turnover before it is too late to repair the damage done.

The principle of the continuous or so-called perpetual inventory is simple. The cost of stock on hand at the beginning, plus the cost of purchases and minus the cost of sales (brought up to date every day or week or month), equals the cost of the stock on hand. The working out of the principle, however, is not so simple. It is easy enough to start the continuous inventory with an actual count and valuation of the stock on hand, and to add the purchases at their invoice amount. But the sales, too, must be entered at *cost*. That is the real problem. To determine the cost of sales for any period, is it advisable or reasonably possible to record the cost of each pair sold? If not, what procedure can be used to give a fair approximation of the total cost?

## RECORDING THE COST OF EACH SALE

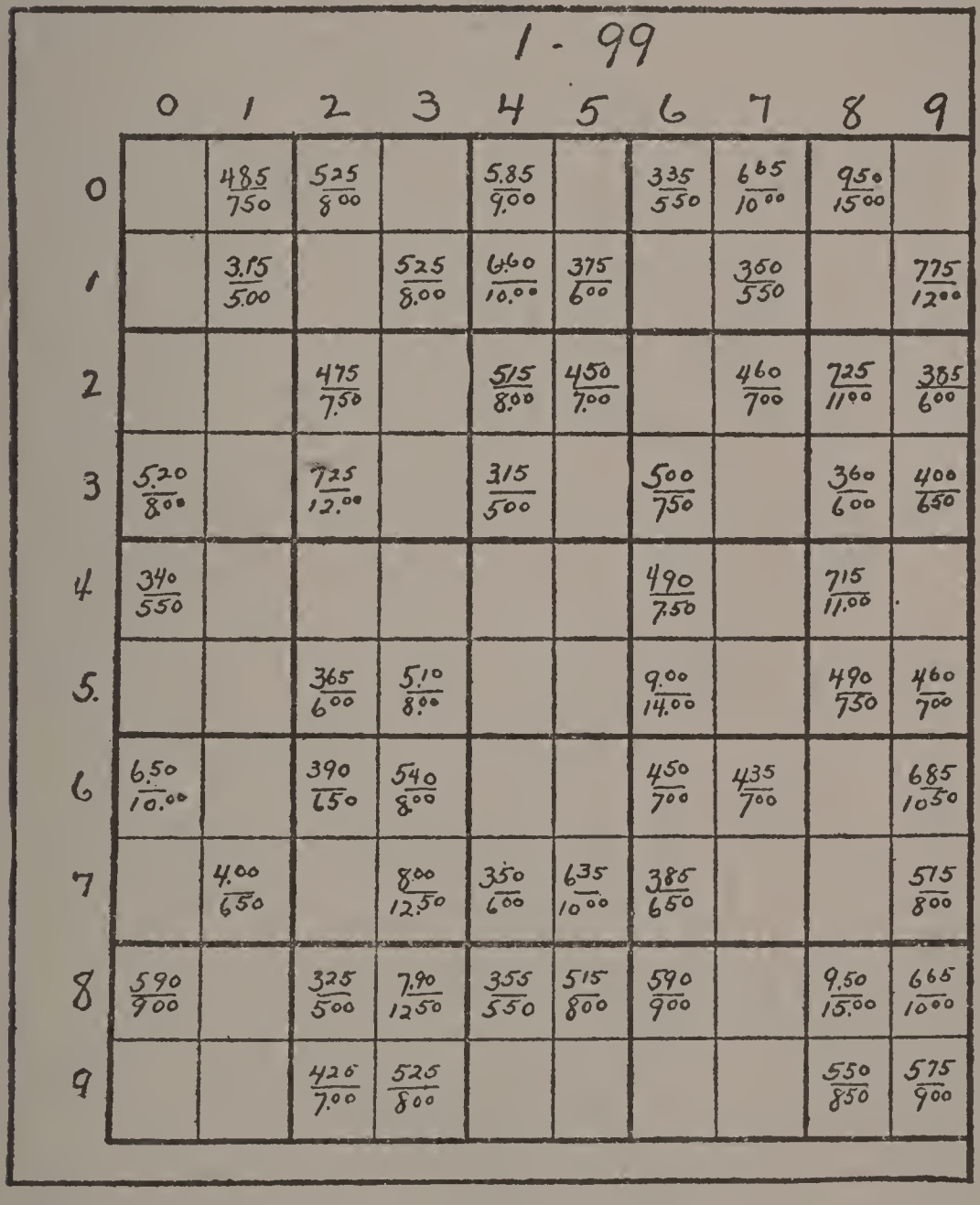
If it is desired to record the cost of each sale, this can be done in two ways. One method is to mark each carton with a symbol showing the cost of the shoes, so that the salesman can transfer this mark to the sales slip. Most dealers, however, feel that the salesman has enough to do to get the stock number, the size and the

width down properly. Hence there is another method whereby the cashier marks each sales slip with the proper cost figure, or the bookkeeper inserts the costs when he makes a summary of the slips. For this work it is desirable to have some sort of list or chart that will quickly show the cost of each stock number. Such a computation can be made without difficulty. A description will be given of one variety.

J. & T. Cousins Company suggests that the cashier keep under glass on her desk a "cost chart," made up of large squares as shown in Figure 21. Each large square contains 100 small squares, one to a stock number. The top row of figures denotes tens; the side row, units. In each small square are entered the cost (above) and the selling price (below); the former in red and the latter in black if desired. Thus, to find the cost of, let us say, stock number 47, the cashier glances along the top row until she reaches the figure 4, then down the column until she reaches the square opposite the figure 7, and takes the top sum, $3.50. This procedure the cashier goes through upon the receipt of each sales slip, marking the cost thereon. By totaling such costs, the bookkeeper can later determine the cost of sales for a day, a week or a month.

If a stock number covers goods bought at more than one price, the cashier can use the latest cost on the cost sheet; the increase or decrease in the valuation of all the old stock being added to or

subtracted from the inventory total. If the dealer prefers, however, not to have his inventory total reflect paper profits or losses through



1 - 99

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 0 | | 4.85 / 7.50 | 5.25 / 8.00 | | 5.85 / 9.00 | | 3.35 / 5.50 | 6.65 / 10.00 | 9.50 / 15.00 | |
| 1 | | 3.15 / 5.00 | | 5.25 / 8.00 | 6.60 / 10.00 | 3.75 / 6.00 | | 3.50 / 5.50 | | 7.75 / 12.00 |
| 2 | | | 4.75 / 7.50 | | 5.15 / 8.00 | 4.50 / 7.00 | | 4.60 / 7.00 | 7.25 / 11.00 | 3.85 / 6.00 |
| 3 | 5.20 / 8.00 | | 7.25 / 12.00 | | 3.15 / 5.00 | | 5.00 / 7.50 | | 3.60 / 6.00 | 4.00 / 6.50 |
| 4 | 3.40 / 5.50 | | | | | | 4.90 / 7.50 | | 7.15 / 11.00 | |
| 5 | | | 3.65 / 6.00 | 5.10 / 8.00 | | | 9.00 / 14.00 | | 4.90 / 7.30 | 4.60 / 7.00 |
| 6 | 6.50 / 10.00 | | 3.90 / 6.50 | 5.40 / 8.00 | | | 4.50 / 7.00 | 4.35 / 7.00 | | 6.85 / 10.50 |
| 7 | | 4.00 / 6.50 | | 8.00 / 12.50 | 3.50 / 6.00 | 6.35 / 10.00 | 3.85 / 6.50 | | | 5.75 / 8.00 |
| 8 | 5.90 / 9.00 | | 3.25 / 5.00 | 7.90 / 12.50 | 3.55 / 5.50 | 5.15 / 8.00 | 5.90 / 9.00 | | 9.50 / 15.00 | 6.65 / 10.00 |
| 9 | | | 4.25 / 7.00 | 5.25 / 8.00 | | | | | 5.50 / 8.50 | 5.75 / 9.00 |

FIGURE 21

fluctuations in manufacturers' prices, he can secure the inventory cost by having the cashier note on the cost sheet, whenever the price

changes, the number of pairs on hand at the old price. The cashier can then use the old cost figure until she has checked off as many sales as there are old pairs on hand.

### INVENTORYING BY DEPARTMENTS

Although it is advisable for the small dealer not to over-classify his stock, there are many stores that find it advantageous to have several departments, the number depending upon the size of the business and the amount of information desired about sectional inventories.

An excellent example of a departmentized continuous inventory is afforded by the practice of Jacobs Brothers, New Orleans. The basis of the system is three groups, one for men's shoes, one for women's shoes and one for findings. Each group is divided into certain classes. The women's shoes, for illustration, are classified as follows: (1) patent high; (2) dull high; (3) tan high; (4) patent low; (5) dull low; (6) fancy low; (7) white low; (8) fancy high; (9) tan low, and (10) white high.

Men's are similarly divided, with a number for each class. For each of the three main groups a continuous record of the number of pairs and the cost of the stock on hand is maintained. Supporting each record are sheets showing the number of pairs on hand but not the cost in each type of merchandise.

When an invoice is received, it is marked with

the key numbers of the types of shoes so that it can be distributed to the proper classes. Then when sales slips for the day preceding have come to the office the checker marks on each the subdivision number and the cost. Therefrom the bookkeeper makes up a sales summary sheet showing the subdivision number, the stock number, the cost and the selling price for each pair sold. This serves as the basis for finding out the number of pairs sold in each subdivision, the total pairs and the total cost of shoes and findings sold for the day. Such information is placed on a sheet together with the receipts. At the end of the week the pairs received and sold for each type of shoe are entered on the subdivision records, and the total costs of receipts and sales for each main group are entered on the continuous inventory records.

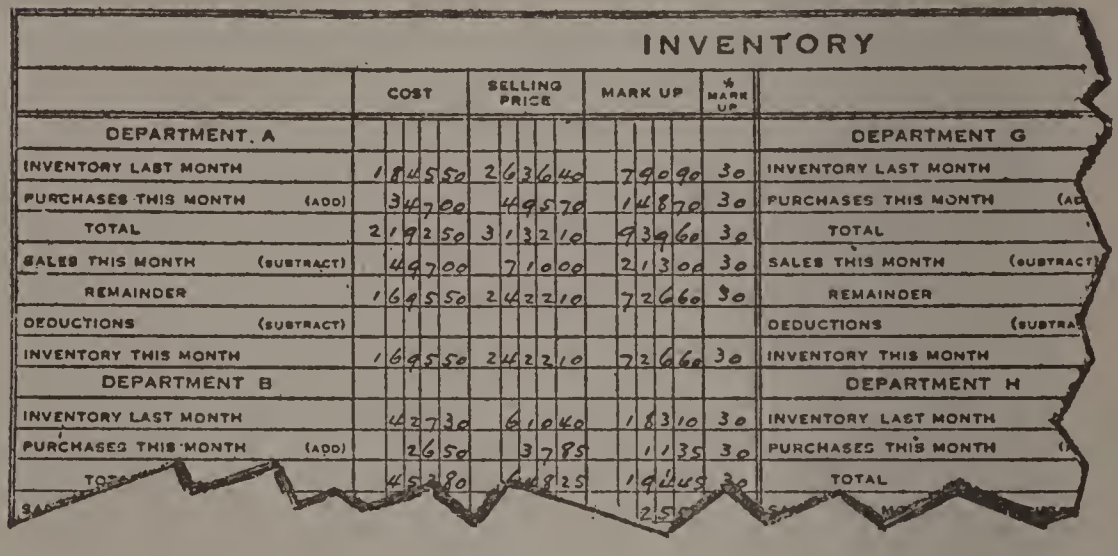
These records, one for men's, one for women's and one for findings, show information of the following sorts:

| Date | Pairs Rec'd | Pairs Sold | Returns to Factory | Pairs on Hand | Cost of Sales | Cost of Receipts | Cost of Shoes on Hand | Week Ended |
|---|---|---|---|---|---|---|---|---|
| | | | | 10,260 | | | $81,065.20 | 12/31/19 |
| 1/8 | 925 | 580 | | 10,605 | $4,640.50 | $ 7,750.70 | $84,175.40 | 1/10/20 |
| 1/16 | 1735 | 642 | | 11,698 | 5,136.40 | 13,642.60 | 92,681.60 | 1/17 |

Such records give, therefore, the cost of the shoes on hand each week. The supporting sheets for the various types in each group give totals

only by pairs; it being considered unnecessary to secure a weekly cost total for each type.

The sales analysis sheet suggested by the Associated Advertising Clubs of the World provides sections for eleven departments, each section having cost and selling-price columns. From



INVENTORY

| | COST | SELLING PRICE | MARK UP | % MARK UP | |
|---|---|---|---|---|---|
| DEPARTMENT A | | | | | DEPARTMENT G |
| INVENTORY LAST MONTH | 1845 50 | 2636 40 | 790 90 | 30 | INVENTORY LAST MONTH |
| PURCHASES THIS MONTH (ADD) | 347 00 | 495 70 | 148 70 | 30 | PURCHASES THIS MONTH (AC |
| TOTAL | 2192 50 | 3132 10 | 939 60 | 30 | TOTAL |
| SALES THIS MONTH (SUBTRACT) | 497 00 | 710 00 | 213 00 | 30 | SALES THIS MONTH (SUBTRACT) |
| REMAINDER | 1695 50 | 2422 10 | 726 60 | 30 | REMAINDER |
| DEDUCTIONS (SUBTRACT) | | | | | DEDUCTIONS (SUBTRA |
| INVENTORY THIS MONTH | 1695 50 | 2422 10 | 726 60 | 30 | INVENTORY THIS MONTH |
| DEPARTMENT B | | | | | DEPARTMENT H |
| INVENTORY LAST MONTH | 427 30 | 610 40 | 183 10 | 30 | INVENTORY LAST MONTH |
| PURCHASES THIS MONTH (ADD) | 265 0 | 379 85 | 114 35 | 30 | PURCHASES THIS MONTH |
| TOTAL | 692 80 | 990 25 | 297 45 | 30 | TOTAL |
| SALES THIS MONTH (SUBTRACT) | 175 00 | 250 00 | 75 00 | 30 | SALES THIS MONTH (SUBTRACT) |
| REMAINDER | 517 80 | 740 25 | 222 45 | 30 | REMAINDER |
| DEDUCTIONS (SUBTRACT) | | | | | DEDUCTIONS (SUBTRACT) |
| INVENTORY THIS MONTH | 517 80 | 740 25 | 222 45 | 30 | INVENTORY THIS MONTH |

FIGURE 22

this sheet the cost and the selling price of the net sales (gross sales, less returns) are posted to the continuous inventory sheet. This form is shown in Figure 22. The inventory is monthly. In the section for each department the inventory at the end of the previous month is first entered, and to this are added the purchases during the month. From this is subtracted the total of the sales for the month. A space is provided for the deduction of any known losses, thefts or shrinkages. There is also, at the bottom, a section for recording the total inventory of all

departments for both the preceding and the current months, with the increase or decrease.

The notable feature of this inventory sheet is that it gives not only the cost but also the selling-price figures for the various steps. After the sheet has once been started, the only special effort that must be made to secure the selling-price figures is in connection with purchases. A special calculation must be made to show the price at which the goods received during the month are expected to be sold. The advantage of entering the selling prices is that the record then shows the possible gross profit and the percentage of profit from the stock on hand in each department. Thus the dealer can keep track of what department ought to make the most gross profit (if it sells all its stock), and whether this will come from a high rate of profit or a low one.

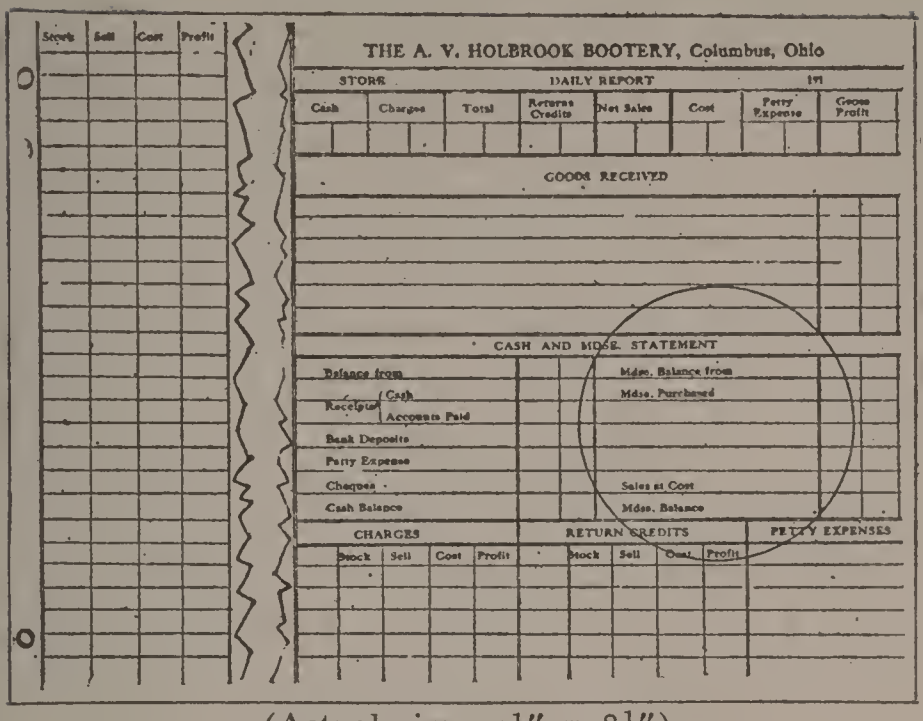
## SEPARATE AND COMPOSITE RECORDS

The retailer can keep a continuous inventory record on a separate form or combine it with other records, according to which practice seems more to suit his convenience. Either gives the facts; that is the main thing.

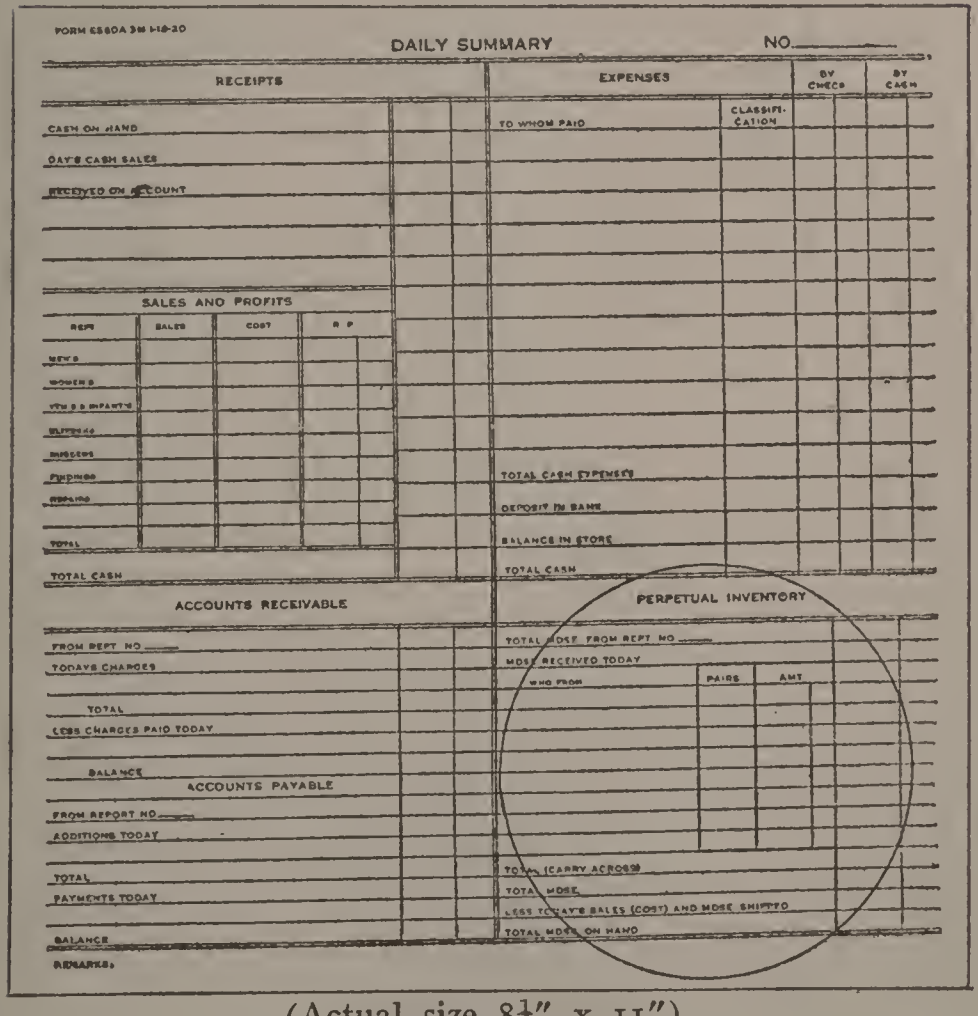
How a separate record may be handled is shown by the practice of the W. G. Simmons Corporation, Hartford, Connecticut. This company uses an invoice book in which various sections serve to show the cost of the net purchases

for each department such as men's, women's and children's. It uses a sales register in which are recorded the total daily sales for each department, at selling price and at cost. For its inventory record it then uses small books, one for each department. Each sheet in these books has a simple arrangement to show the merchandise on hand at the beginning, the cost of receipts, the cost of sales, the balance on hand at the end, with the increase or decrease for the period. In addition, inventories at the beginning and at the end of the same period the year before are inserted in red. By posting the cost of purchases and the cost of sales on the first and fifteenth of each month the company secures continuous inventory totals for each department at semi-monthly intervals.

The combined type of inventory record is generally used by the stores that find it convenient to have a daily report covering as many phases of the business as possible. No standard arrangement exists for such a report. An idea of the possible variations can be gained from an examination of Figure 23. The top form shown, the daily report of the A. V. Holbrook Bootery Company, Columbus, carries sections on the left for listing individual cash sales and on the bottom for listing individual charge sales and returns, with columns for entering the cost of each sale. Toward the top on the right is a section for recording the cost of goods received. Cost




(Actual size $11\frac{1}{2}$" x $8\frac{1}{2}$")




(Actual size $8\frac{1}{2}$" x 11")

FIGURE 23

data from these parts go to the continuous inventory section. This is shown in the portion of the form enclosed in a circle. In this a blank space is left in the middle for deducting, from the total of the preceding day's merchandise balance and the current purchases, the goods returned to manufacturers. Note that the total goods returned to the store by the customers are deducted at the top of the form, and that the resulting figure for net sales is what goes on the "Sales at Cost" line in the inventory section.

The bottom form, that of W. C. Goodwin, Fitchburg, Mass., provides a space at the left-center not for listing individual sales but for entering a summary of net sales by departments. The receipts are included in the inventory section (circled). In this case, moreover, the goods returned to the factory are deducted at a different point — along with the cost of sales, near the end. Varied as these forms are in detail, however, they show how provision can easily be made to show on a daily report the cost of the merchandise on hand.

## USING THE STATISTICAL METHOD

The continuous inventory systems thus far described have been based upon the recording, either on the sales slips or else on a summary prepared from these, of the cost of each pair sold. Some retailers, however, look upon this

as an unnecessary complication, and neglect to consider the turnover problem until they take an actual count of stock every six months or year. This delay is unwise; continuous inventory figures are so important that, if not ascertained exactly, they should at least be approximated.

If the retailer is using a stock record, as he should be, he can easily find out at short intervals how many pairs he has at hand. A continuous record of these totals will show the general trend in the stock volume. It will not, however, indicate exactly how this investment in stock is changing, for fluctuations in the purchase and the sale of differently priced lines may cause the value of the stock on hand to vary more widely than the number of pairs on hand. Moreover, a continuous record by pairs will not give any data for use in preparing statements of profit and loss or for making insurance adjustments, if necessary.

On general principles, therefore, it is better for the retailer to learn the approximate amount of money he has invested in stock. He can do this by using the statistical method for finding the cost of sales. This method recognizes the fact that the shoe retailer sticks close to an average percentage of gross profit in fixing the selling prices of his goods. If he desires to have a net profit of five per cent of the total sales for himself, and he finds that the running expenses of

the business amount to about thirty per cent of the sales, then on each pair of shoes he tries to fix the selling price so that sixty-five per cent of it represents the cost and thirty-five per cent the gross profit. Gross profit is the total of operating expense plus net profit. The merchant may have to reduce the selling price on some slow lines or cut into the net profit by using P. M.'s, and he may have a few lines showing an unusually high gross profit, but for most pairs he figures on the thirty-five per cent. This being so, why can not this figure, called the "percentage of mark-up," be used for working backward from the sales for any period to get the approximate cost of the goods sold? It can be.

If the dealer knows that he has stuck close to a uniform percentage of mark-up for all his stock, he can easily secure a rough inventory total at the end of any period. Suppose that a dealer starts the year with a physical inventory of $10,000. If during January he purchases $9,000, his total on hand and received is $19,000. If he uses a mark-up of $33\frac{1}{3}$ per cent or one third, and his sales for January amount to $2,400, then the cost of these sales is $66\frac{2}{3}$ per cent or two thirds of $2,400, or $1,600. He still has on hand on January 31, therefore, the difference between $19,000 and $1,600, or $17,400. By continuing this procedure at the end of each month, he can maintain an approximate record of the cost of goods on hand.

The procedure, however, is sometimes more complex. The dealer may in some lines or some departments have departed rather widely from a uniform percentage of mark-up. If this condition exists, he may well desire to apply the statistical method more closely. The starting point in such a case is with the physical inventory of goods on hand at the beginning. At the time of making the count, the goods are listed at cost and at selling price. As purchases come in, they are also recorded at cost and at selling price. Then the inventory at the beginning at sales value, plus the purchases at sales value, plus the dollars of mark-up on goods during the period, minus the dollars of mark-down on goods, equals the total stock on hand during the period at the selling price.

The difference between this sum and the total of the old inventory and the purchases *at cost* gives the net mark-up in dollars. This divided by the total *sales value* of the stock gives the average mark-up percentage for all goods in the store during the period. Then the sales for the period, minus a sum equivalent to this percentage, give the cost of sales. Finally, the cost of the old inventory, plus the cost of purchases and minus the cost of sales, shows the cost of stock on hand at the end.

Take five minutes to follow through these figures and study their relationship, one to the other:

| | | |
|---|---|---|
| Inventory at beginning (sales value) | | $20,000 |
| Add purchases (sales value) | | 100,000 |
| Add dollars of mark-up | | 500 |
| | | $120,500 |
| Subtract dollars of mark-down | | 1,500 |
| Total stock (sales value) | | $119,000 |
| Inventory at beginning (cost) | $15,000 | |
| Add purchases (cost) | 70,000 | |
| Total stock (cost) | | 85,000 |
| Net mark-up in dollars | | $34,000 |
| Average percentage of mark-up $34,000 ÷ $119,000, or 28.6% | | |
| Sales | $95,000 | |
| Less mark-up of 28.6% | 27,170 | |
| Cost of sales | | $67,830 |
| Therefore: Inventory at beginning (cost) | $15,000 | |
| Plus purchases (cost) | 70,000 | |
| | $85,000 | |
| Less cost of sales | 67,830 | |
| Inventory at end (cost) | $17,170 | |

The result is only approximate, for the percentage used in determining the cost of sales is merely an average one, but the inventory total is close enough to be highly valuable. This statistical method can be used to secure a series of inventory totals at as frequent intervals as the proprietor desires. It should be used at least at the end of every month.

With such a method available, the retailer who wakes up some day to find that his stock has run down to $2,000 or $3,000, or that he is carrying much more than his sales warrant, deserves no sympathy. He ought to know from

experience what his customers will want in stock investment and what operating expenses will be required to put the goods in their hands. On this basis he can determine the mark-up percentage necessary to give him the desired profit, and then keep a close eye on the stock investment to see that it does not show any improper relationship to sales. Then he *knows* about his general turnover instead of trusting to the god of chance.

# CHAPTER XI

## PHYSICAL INVENTORY

### WHY GOODS MUST BE COUNTED

With such excellent methods for keeping in touch with the pairs and the sizes and widths in each line, and the dollars invested in each department or the whole stock, why is it necessary or even desirable to take a physical inventory, or make an actual count and valuation of the stock, at certain intervals? The experiences of Mr. A and Mr. B are the reasons.

A is the retailer who says, "It is too much trouble to keep stock records and a continuous inventory," or "I can't spare the time," or "Records are all 'bunk'; they don't put more goods on the shelves." He is wrong in every statement, but he may be able to crawl along in a half-successful fashion if his trade continues normal and he takes a physical inventory every six months or year to see how much stock he has on hand. If he does not do this he cannot know whether he is accumulating too much stock. He may have an $18,000 stock when he thinks he has only $15,000, thus miscalculating his turnover and running the danger of a heavy loss through being overstocked.

Furthermore, without a physical inventory A cannot tell whether he has been living on profits or whether he has been spending part of his business investment. Suppose his sales are $3,000 more than the year before; that means nothing if he has sold $3,000 worth of shoes without replacing them. Yet he may have done exactly that, for a "mere glance at the shelves," which method too many retailers are fond of using, is not sufficient to discover a $3,000 reduction in a fair-sized stock. The only way A can find out how much money he has made or lost is to count the stock on hand, and then figure out how much merchandise he has sold to produce his income from sales. To the cost of inventory on hand at the beginning of the period he adds the cost of all goods purchased during the period under consideration. From this total he deducts the cost value of goods in stock at the end of the period. In this way he ascertains the cost of goods sold, which deducted from the income from sales gives the gross profit.

This figure is so necessary that it alone should be incentive enough for A to take frequent physical inventories, but there is the added incentive that the counting of stock will direct attention to all old merchandise. A, remember, has no stock records; therefore, to him the physical inventory time is one of house-cleaning, of finding out and making plans to get rid of all the bad results of past carelessness and inefficiency. He

would be better off if he did use closer methods of stock control, because he could then check losses at the various danger points. But he does not wish to bother with such methods; hence the need is a thousand-fold greater for taking frequent counts of stock. Physical inventories are the last chance of the merchant who is honest enough to want to know his real condition and wise enough to realize that the ultimate result of ignorance is disaster.

But B is progressive and wise; he has installed a suitable system of stock records and continuous inventory. In principle the system should show exactly the pairs and the sizes and widths on hand, and the stock investment. However, the uncertain human element that enters into the conduct of any system may cause discrepancies. There may be thefts or losses from stock. There may be mark-downs that are overlooked in maintaining the continuous inventory. There may be depreciated goods that have not been marked down. There may be errors on the stock sheets for purchases and sales, so that the number of pairs listed does not agree with those on hand. To check the running records for such discrepancies, and to make sure that the inventory value used for the financial statements is absolutely correct, B counts his stock. In short, the running records show him what stock ought to be on hand; the physical inventory indicates what is on hand. A shortage here may

be offset by an average there; the net difference may not be large; but, small or large, it should not be carried on into the records for the new period.

It matters not who the retailer is — a physical inventory should be the beginning and the end of all his business figuring. If the salesman bears this point in mind, he will look upon his share of the work not as useless drudgery, but as effective coöperation with the merchant in his all-important work of stock control.

## SECURING PROMPTNESS AND ACCURACY

The taking of a physical inventory was the bane of old business. The clerks were overworked, the regular business was neglected, and everything was turned topsy-turvy. Modern business, however, has learned to substitute planning in advance for waste motion during the process; and an orderly and easy procedure, capable of bringing maximum results quickly, is within the bounds of use for every shoe dealer.

Promptness and accuracy — these should be the aims of a physical inventory. The more rapidly the work is done, the less tedious it is for the salesmen and the less obstructive to general business. The more nearly accurate it is, the truer pictures of the condition and the progress of the business are obtainable. Accuracy is largely a matter of extreme care in counting and

listing the stock, but it is more easily secured when well devised forms are used. Promptness is a matter of having these forms ready, and of dividing the work so that each salesman has a share.

### ADVANCE-COUNT SLIPS

Most merchants desire to distribute the inventory work over several days, so as to ease the burden of the final check. Hence they provide advance-count slips, on which the salesmen in their leisure moments can enter a preliminary count of the quantity on hand for each stock number. These slips may be blank pieces of paper or cardboard, or printed forms as shown in Figure 24, for recording the stock number and the quantity, with perhaps the cost and the selling price. Each advance-count slip should bear a space for the signatures of the one calling the data and of the one entering the figures on the slip, since the signing of names as to the correctness of the slips tends to make the workers more careful. Moreover, to make sure that no slip is lost, they should be consecutively numbered in advance.

### INVENTORY RECORD

The next form, if advance slips are used — or the first one, if not — is the inventory record, ruled by hand or printed. This record may be a

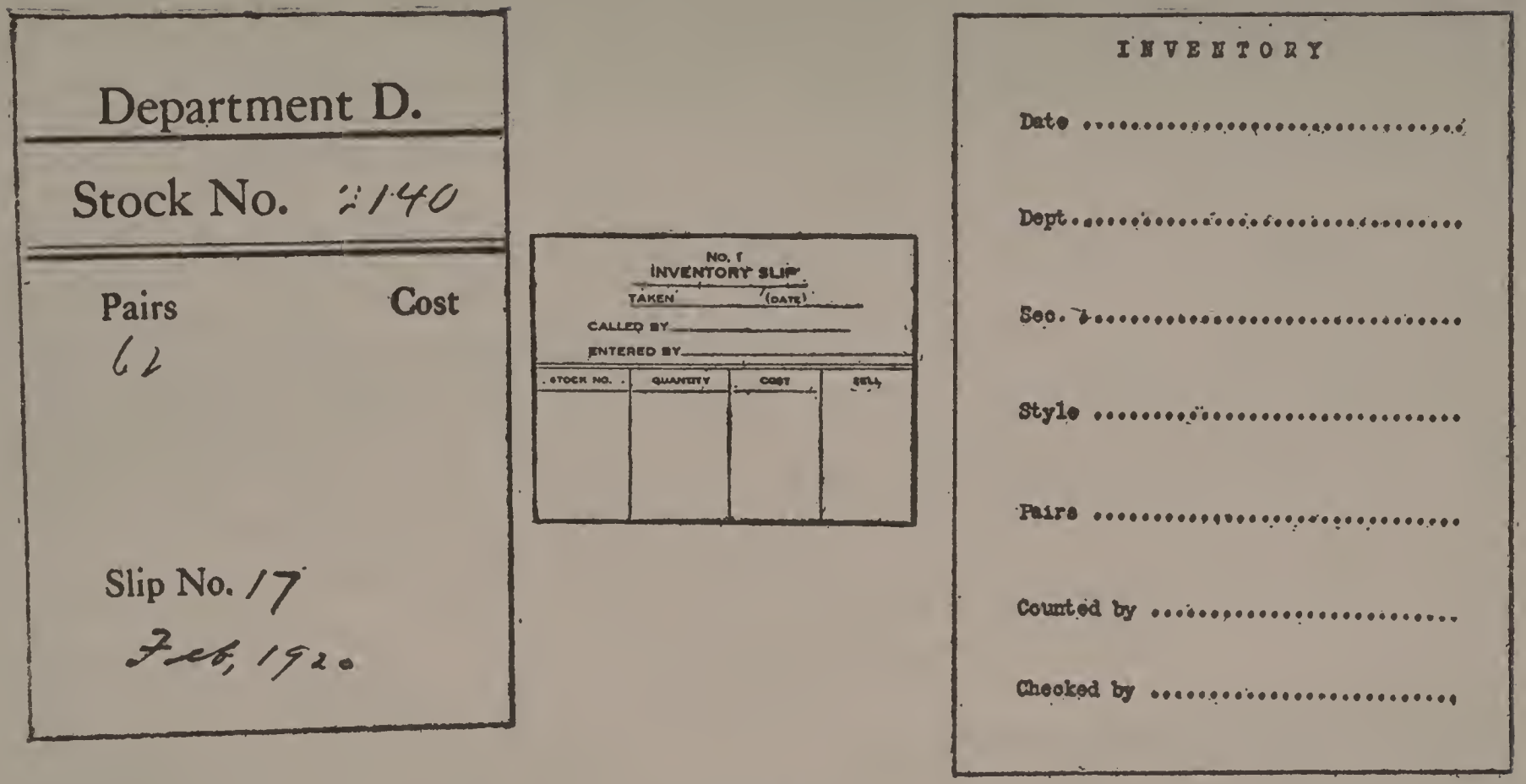

Department D.
Stock No. 2140
Pairs
Cost
62
Slip No. 17
Feb, 1920.
No. 1
INVENTORY SLIP
TAKEN (DATE)
CALLED BY
ENTERED BY
STOCK NO.
QUANTITY
COST
SELL
INVENTORY
Date
Dept
Sec.
Style
Pairs
Counted by
Checked by

FIGURE 24

page of a bound book or a loose-leaf sheet. A loose-leaf system is preferable to even a number of small books because it sets no limitation upon the number of employes who can conveniently work on the final listing at the same time. Care should be taken, however, that loose-leaf sheets are numbered consecutively.

The columns and ruling of the inventory record must provide for the stock number, the number of pairs, the cost of each pair, and the total cost. If desired, however, a column can be inserted for a brief description of the shoes under each stock number. If the unit and the total selling prices are also desired, some extra columns can be added. Sometimes there is a column for marked-down selling prices, so that the cost can be scaled down at the same rate, and sometimes there is one for depreciation. Sometimes there is a series of value columns; for instance, A, representing this season's goods; B, last season's; C, last year's; X, next season's. These serve to give an automatic analysis of the inventory total according to the age of the stock. A variation of this idea is to use different-colored inventory sheets. Thus a white sheet might be used for recording goods that have been in stock from one to six months; blue, from six to twelve months, and so forth.

Whether or not these special columns or colors are needed, however, depends upon how closely the retailer follows the inventory process. If he

wants to wait to pass judgment on shrinkages in value until the inventory record sheets come to

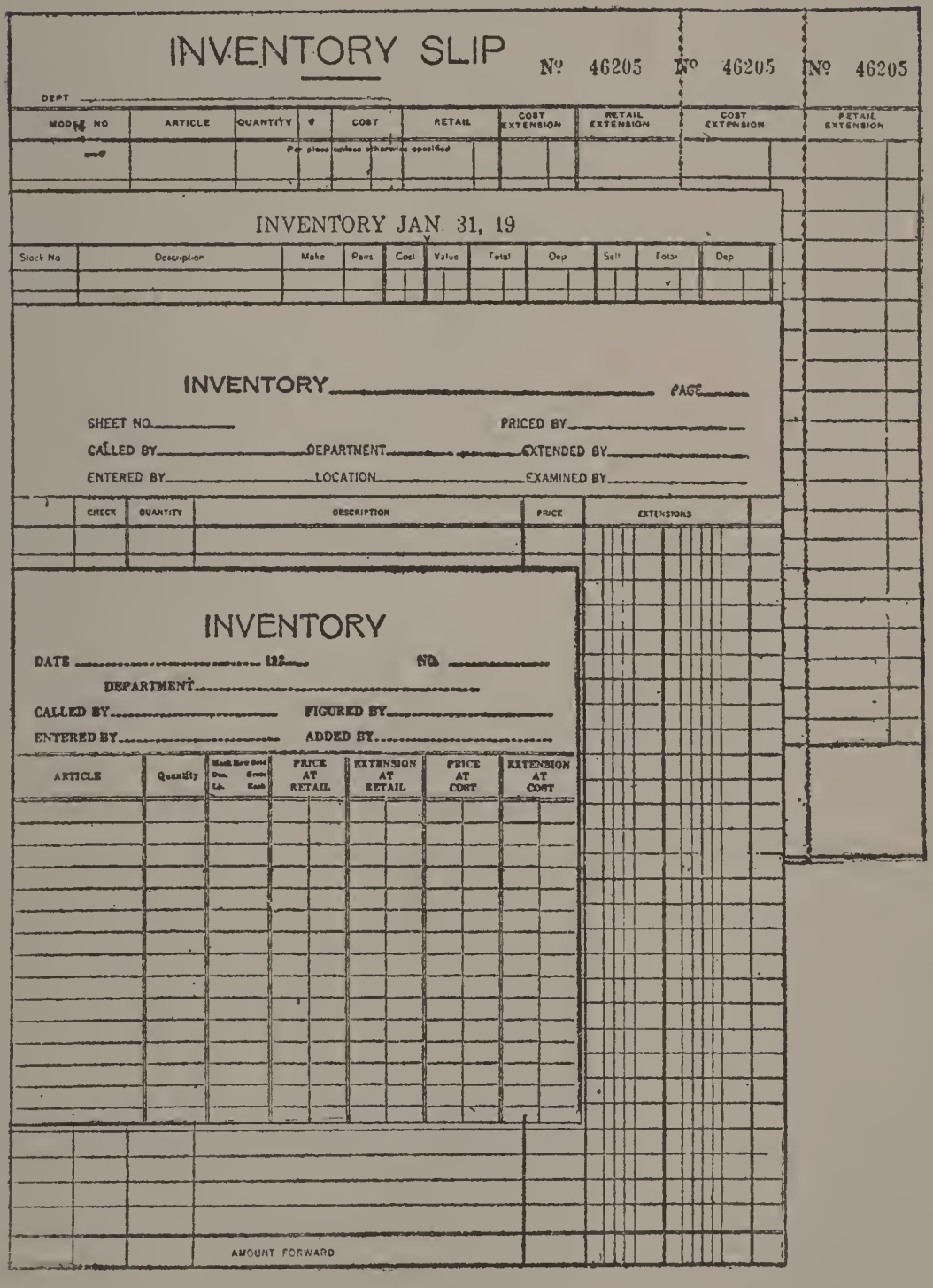



FIGURE 25

the office to be totaled, then columns for recording mark-down and depreciation data are ad-

visable. If he or his buyers can go over the advance-count slips and note the shrinkages to be allowed, or can be on hand to value old goods as these are brought to their attention at the time of filling the inventory records, the adjusted unit cost figures can be immediately entered on the inventory records. Even then, however, a special column for depreciation will be found useful if the retailer wants to find out easily what his total allowance for this item is and how it is divided over the different departments.

Some specimen forms are shown in Figure 25. Wide variations, as the foregoing paragraphs may have led the reader to expect, are apparent, but the forms may give useful suggestions as to how inventory columns can be put together.

## STOCK RECORD CHECK

At the time of taking a physical inventory, a check can readily be made of the accuracy of the stock records. One way of doing this is to prepare from the stock book a special list showing the stock numbers, the pairs on hand and the unit costs. If the stock sheets carry the original and the current selling prices, these may be included. As each part of the stock is entered on the inventory record, the stock book data can be checked. There are objections to this method, however, in that it requires the special list and

also the service of an extra employee at inventory time.

The same result can be obtained by preparing the inventory records in advance from the stock book. It is not difficult to take a series of loose-leaf sheets, list the stock numbers in groups and insert the number of pairs on hand, the unit costs, etc. The data can be written in red. As the salesmen count each lot of stock or check up the advance-count slip they check the stock book total or enter their count in black if errors exist. This procedure makes more detail, but it saves time on inventory day and brings out shortages or averages at once.

Some object that this method tells the salesperson what he ought to find on the shelves and thus leads to carelessness. The objection loses weight, however, when these facts are considered. If advance-count slips are used, the count has been made and checked once before the filled-in inventory sheets are employed on inventory day, and the one counting need not have the slightest idea of the total he ought to report.

Obviously it is not necessary to check the accuracy of the stock records when the count is being made. If the dealer prefers, he can wait to see whether the physical inventory differs from the continuous inventory total, and if so, have the office check the physical inventory pair totals by stock numbers against the stock records to locate the cause of the discrepancy. Whether

the retailer uses a special checking list or filled-in inventory records at inventory time or makes a special check later is a matter of choice. The essential point is that the physical inventory affords a chance for checking the running records, and the opportunity should be seized in some way.

### MAKING THE COUNT

The part of physical inventory work with which the salesman is most directly concerned is the counting and listing. For the sake of illustration the various steps of handling advance-count slips and inventory records will now be considered in order. The part the salesman might play in a stock-record check has already been made apparent.

The usual custom is for salesmen to work in pairs, one to call off and count the stock, and the other to record the descriptive data and the number of pairs. A few days before inventory date, therefore, let it be assumed that you, the reader, and your companion "Jones" should in the quieter moments run through your section of stock, to make sure that no goods have been misplaced. Then, if Jones is to do the entering, you should look carefully and then call off the stock number, as well as the cost and the selling price if these are desired. While Jones is entering this data, with the date and his signature, you should count the pairs or quantity of findings

and tell Jones the result. When he has entered it, you should sign the slip and place it on the shelf or in the drawer with the counted goods. Or, if space permits, you may pin or tack the slip on the upright part of the shelving or drawer. Your team is supposed to have received enough consecutively numbered slips for the numbers in your section; if any are left they should be returned to the office so that they can be marked "void" or "not used."

This work completed, you still have one point to watch up to the date of the inventory. The store door is open, sales are being made. Furthermore, goods may be coming in from manufacturers or may be shifted from reserve stock forward. These conditions require changes in the advance-count slips. As goods are added to your section you should increase the number of pairs listed. As you sell a pair of shoes from any section, you should make a note of it on the slip for that stock number. If by any chance the slip has disappeared, you should report it at once so that a duplicate can be made out.

Now you have come to the official inventory date, when the inventory records are to be filled out so as to show the exact state of the stock at that time. Your share in this work is determined by the number of entries to be made and the retailer's practice in regard to the work. That is, the inventory may be partly filled out in advance from stock sheets, so that the finan-

cial data need simply checking and only the numbers of pairs require recording. Furthermore, if the stock is not large or if the retailer himself wishes to check the stock records, he may handle the inventory records and have the salesmen merely call off to him. Let us suppose that only the numbers of pairs need entering and that the responsibility for this work is laid upon the salesmen. Let us suppose, too, that this time you are doing the entering.

To insure absolute accuracy, a final check of the advance-count slips is desirable. While you are checking the office record for each stock number, Jones should make a quick re-count so as to see that no error has been made in noting receipts and sales on the advance-count slip; then you may enter the number of pairs. When all the advance-count slips in your section have been checked, you should turn the slips and the inventory records into the office. The advance-count slips should be kept on hand at least for a month, in case any question about counting arises. After that they may be destroyed or filed away.

The inventory records as turned over by you and other salesmen show only the quantities and the unit costs, perhaps also the unit selling price. There still remains the work of finding the total value for each stock number. This making of the extensions — multiplying the unit valuation by the number of pairs — is not done

by the salesmen, for it can be accomplished with greater rapidity and with less chance of error when it is handled after inventory day and in the office. The final step, therefore, is for the office to extend the totals on every inventory sheet, add the total column on each sheet separately, and then make a summary of sheet totals to secure the grand total.

### ACCOUNTING FOR DIFFERENCES

If this final total differs from what the continuous inventory shows, an accounting adjustment may be necessary. In case the count shows more goods on hand than the continuous inventory indicates, the discrepancy is generally due to some error in recording the facts in the running records. Hence the only procedure necessary is to enter the physical inventory total on the financial books and statements and to correct the stock records and the continuous inventory.

In case the actual count shows less than the continuous inventory total, the difference may be due to error, to depreciation or to loss or theft. In the first instance the retailer simply indicates the true state of the stock by having his bookkeeper enter the physical inventory value and by seeing that the stock-control records start out correctly for the new period. In other cases, however, the retailer will make an adjustment in his financial records as well as a correction of the stock-control records.

## FREQUENCY OF PHYSICAL INVENTORY

In days past, when the physical inventory was used only to supply the bookkeeper with figures for closing the financial books at the end of the year one count a year was all that the retailer thought of making. Now, with the development of more efficient methods of handling the count, more frequent counts are the rule. Some of the largest stores find that counts every three months are vital to their ideals of stock control; but in general, for both large and small stores, the tendency is toward a semi-annual count.

February 1 and August 1 seem to be the most popular dates, although dates from January 1 to March 1 for the winter inventory, and from July 1 to September 1, for the summer inventory, are frequently used. The exact dates depend somewhat upon the store's policy regarding clearance sales. If the records show odd lots and slow movers which the retailer wishes to get off his shelves before he makes up his profit and loss statement for the period, he takes the counts on March 1 and September 1 after clearance sales in February and August. If, however, he is short on stock records and takes the physical inventory partly to show the condition of the different sections of his stock, he is quite likely to put the dates earlier, before the clearance sales in February and August.

## MISCELLANEOUS INVENTORY POINTS

The main points of the physical inventory procedure of various dealers have already been covered, but there are some details that may be added because of their suggestive value. See whether these hints can be of use to you:

One retailer suggests that each carton be marked with a red symbol at the time of the physical inventory. This serves as a danger signal to show the salesman the stock that will prove very costly if not disposed of soon.

One company directs attention to the necessity of an accurate inventory of repair-department supplies, such as sole leather, thread, pegs, etc. Though the cost of repair supplies sometimes seems trivial, good retailing requires that every item be accounted for. One cannot be too exact about the little things. If a repair department exists, its supplies should be carefully counted and valued.

A physical inventory total every sixty days—that would cause some dealers to throw up their hands in horror. Yet in Iowa a retailer secures the figure in this way. One salesman wheels an adding machine up and down the aisles and lists the total cost of each stock number, as another person calls off the details. When they are through, the total is in the machine. Five or six hours tell the whole story. This dealer, it is worth noting, also keeps a continuous inven-

tory of a $50,000 stock, cost figures being totaled from code marks on the sales slips.

One store uses advance-count slips of different colors for the various departments, each color being added and numbered consecutively. Forward and reserve stocks are counted separately, so that the final listing may give two pair figures for a stock number. In the case of a shortage, a check is made to see whether any stock number showing only one pair entry has had an omission of the total of either forward or reserve stock. This store uses a special inventory book, fifty lines to a page; two facing pages with spaces for one hundred stock numbers can thus handle any of the main groups in the store's classification of stock. On the left, each page has columns for pair totals for four semi-annual inventories, and on the right similar columns for the money totals. The stock number, the description and the cost are already entered in the book at inventory time, and only the number of pairs needs insertion.

### HELP PUSH

Whenever the salesman has to help in taking a physical inventory, he should bear this in mind — he ought to do the work as quickly as absolute accuracy permits. He should take an interest, therefore, in both of these phases of the process. There is no need of his tackling the job without plan or preparation and then

working all night; nor is there any need of the merchant getting hit-and-miss results. A correct count, efficiently handled during business hours, is fully realizable if each person gives full coöperation in establishing and carrying out correct count procedure.

# CHAPTER XII

## PHYSICAL INVENTORY VALUATION

### COST AND SELLING PRICE

From the discussion already given, the reader now has an understanding of how to count and list the goods for a physical inventory. But some points about securing the money total should be further considered in order that an appreciation may be had of why it is necessary for a merchant to call for certain additional facts on the valuation of his stock on hand.

When the advance-count slips or the inventory records are to be filled out, the salesmen may be asked to enter the cost or both the cost and the selling price. The medium and the smaller-sized stores generally follow the practice of taking an inventory at cost, but some of the larger stores record the selling price, too. These stores usually maintain a continuous inventory by keeping a record of the costs of individual sales; and if they include the selling prices in taking the physical inventory, they do so simply because the double valuation allows them to estimate their probable profits and handle future mark-ups more scientifically.

The difference between the total cost and the total selling price of the stock, divided by the selling price, gives the percentage of expected gross profit. Then if the retailer, for example, has accurate knowledge of what percentage of his income from sales is required to cover operating expenses, he can tell how much he can safely cut his selling prices in the face of competition. Or, if he finds at the end of the year that the expected gross profit has failed to produce the desired net profit he may find that he needs to wake up as to what the expenses of operation really are.

If the retailer, however, deems it unnecessary to list the selling price of his physical inventory, he still must have the cost for use in his financial records. This sounds easy enough to determine, for the store records and stock marks indicate clearly how many dollars were paid out for the goods. Yet there are a few tricky points which merit special attention.

## FLUCTUATIONS IN WHOLESALE PRICES

In a period of rapidly changing prices, retailers are sometimes in doubt as to whether they should value their goods at what they actually did pay or at what they would have to pay for replacement in the existing wholesale market. There is only one proper attitude on this point. Stock in trade, *provided it is in salable condition,* should be valued at what it actually cost.

If wholesale costs have risen so that the stock can be retailed at a higher price than anticipated, or if wholesale costs have fallen so that a less profit than expected must suffice, the demands of a proper valuation are the same. The point is simply that any possible or expected profit or loss, due to changes in retail selling prices after fluctuations in wholesale prices, has no place in the accounting records before the actual sale of goods has been made.

Some retailers, in order to be strictly conservative, value their inventory at actual cost or at wholesale market value if this is less than cost. This is permitted under the income tax rulings of the Bureau of Internal Revenue. The practice keeps the inventory total down, but it records losses which will never be suffered if wholesale prices swing back. If a store desires to show the exact present value of the inventory for credit purposes, it can indicate this sufficiently by putting a footnote on its balance sheet to state the increase or decrease in the value of its stock as compared to the actual cost. In general, therefore, the good dollars and cents which the retailer pulled out of his pockets in return for the stock, constitute the better basis of valuation for any current period, unless the goods are in an unsalable or depreciated state.

If the inventory is correct on the day taken, that is, if it is based on actual cost, this figure subtracted from the old inventory plus purchases

shows the *actual cost* of the stock sold during the period, and this leads to the profits on the goods actually sold. If, because of wholesale price fluctuations, not so much profit as expected is realized on the inventory the following year, some money will be lost, but the loss will be in selling the stock the second year and not in buying it the first year. Each year deals only with the profits on the goods it sells and with the cost of the *salable* goods it turns over to the succeeding year; what the latter year gets out of the goods concerns only itself.

## PRICING THE INVENTORY LIST

A rule-of-thumb method of recording inventory costs is to use the purchase price as shown by the latest invoice. This, in effect, might mean entering the highest cost recorded on any shoe tag or carton label among all the pairs on hand of that stock number. The general argument in favor of this practice is that if the salesmen keep old stock cleaned out, the stock on hand tends to be that most recently received and should be entered at the latest cost.

An inflexible rule to this effect, however, may be dangerous if subject to use without a full understanding of its results by an unscrupulous manager or buyer. It is evident for example, that a small purchase at a high price made just before the inventory date might be used to swell the inventory and thus reflect an excessive profit

from operations. It is better, in general, to count the number of pairs left at each cost mark, or to use an average cost figure determined from the orders as shown by the stock records or invoices. A *weighted average,* of course, is more fair than a *straight average,* though more complicated. Thus the straight average of 10 pairs at $7, 15 pairs at $8, and 5 pairs at $10 is $\frac{7 + 8 + 10}{3}$, or $8.33, whereas the weighted average is $\frac{(10 \times 7) + (15 \times 8) + (5 \times 10)}{10 + 15 + 5}$, or $8. Even the weighted average does not give the exact result obtainable by counting the number of cartons at each cost figure; but if the average figure is easier to use, it gives a sufficiently close valuation.

If exact costs are desired, more work is involved for the salesman in counting stock and filling out advance-count slips. If weighted costs are used, they are most efficiently handled when the office calculates them and enters them on the inventory records. Whenever the salesmen have any extra details to watch, however, they should do so gladly, for the work is all in the interest of accuracy.

## WHAT CONSTITUTES COST

Cost having been established as the basis for valuing salable and undepreciated merchandise, it may not be amiss to speak for a moment of

the elements of cost. The basic and greatest part of the cost of a pair of shoes is what the manufacturer or wholesaler charges for them, but even this amount may raise a question. Should the cost billed by the seller be used, or should a deduction be made in case the retailer secures a cash discount for prompt payment? Practice differs, but the weight of authority seems in favor of treating cash discounts as a form of income controllable by the retailer and not as a part of the merchandise cost fixed by the seller.

There is another part of cost that is sometimes not recognized as it should be. When a retailer buys a pair of shoes he not only has to pay a sum to the seller, but also has to make certain expenditures for placing the shoes on the shelf for sale. Customary charges of this sort are freight, expressage, drayage, insurance during transit, storage, and so forth. Clearly all items up to the point where goods are ready to create income are properly included in merchandise cost. If they are not, the expenses for the period will be increased and the profits reduced. The exact method is to charge up such cost items against each shipment of shoes, and in this case they become reflected in the unit cost of each pair calculated from the invoice. Often, however, it is not conveniently possible to collect the data by invoices. Under such circumstances these additional elements of cost are re-

corded separately during the accounting period. At the end, the percentage representing the average cost of laying the goods on the shelves is found, and this is applied to the new inventory at billed cost.

These matters are mentioned not because they alter in any way your procedure at inventory time in recording unit costs. Whether or not unit costs are recorded "net" on the cartons (full invoice cost less cash discount), you just use the figures you find. Whether the transportation and other secondary costs are recorded for each invoice or are added in total at the end, you use the unit costs noted. Yet you ought to know what elements are included in the figures you list and why the retailer may need to adjust the inventory total to obtain the real cost and the correct profits. Learn what lies behind every little act you perform in your work — in such a habit lies personal development and advancement.

### WHEN ORIGINAL COST IS NOT USED

Thus far we have been considering *marketable* merchandise, or stock salable at the first-marked selling price. For valuing such merchandise, the cost is what is required, regardless of fluctuations in wholesale prices. But quite different is the problem of taking account of deteriorated stock that has suffered a positive loss in value. What useful purpose is served by recording at

the full cost of $10 a pair of shop-worn shoes for which a blind man would not pay any more than $5?

It has been explained above that each year, after it turns over its salable goods at cost to the succeeding year, is not concerned with what profits the latter makes from these goods. All the more responsibility it has, then, to see that it does not hoodwink the second year by running in under-value stock at full cost. It is fair enough to turn over at exact cost goods that have a chance to secure the expected profits, but it is entirely unfair to charge up the full cost against goods that have no chance at all.

## CAUSES OF DEPRECIATION

Such a change in merchandise as makes its sale hopeless except after a radical cut in price may be called depreciation. There is no *one* cause of depreciation. It may result from shelf wear, careless handling, use of goods for display, rotting with age, changes in style, overbuying and accumulation of old goods and broken lots, or poor selection of size runs. Obviously, some of these causes are more nearly preventable than others. Damage in the shelving, cases or windows from dust, water or vermin is usually unexcusable. Less easy to prevent, but largely controllable through the use of adequate stock records, is overbuying, or a poor selection of sizes and widths. Least easy to

handle are the style changes, for the changes of fashion are often so unexpected and sudden as to puzzle the wisest.

The rapidity of turnover, of course, has a distinct relation to the volume of depreciation. The faster new stock replaces old, the less the depreciation. A high rate of turnover means not only that the average inventory which is subject to depreciation is smaller in proportion to sales, but also that the average age of the stock is less. Thus depreciation of stock requires more consideration in the shoe business than in the grocery business, for instance, because in the latter the turnover is much higher. Even with the best of turnover in shoe retailing, however, and with the most carefully kept stock records and liberal P. M.'s, the whim of fashion or some unforeseen change in local size demand may make it impossible to keep the stock live in every particular.

Some dealers are possessed with the idea that stock is always worth what it cost. This is not true. Customers look for more than a shoe covering; they look for something that pleases the eye, some finish, some color, ornament or cut that may not be necessary but is expected unless the price is reduced. Most depreciated goods may be as warm, as durable, but their ornamental quality has suffered. When stock has been exposed to the causes of depreciation, therefore, the only sensible thing to do is to

recognize that the goods have actually declined in value.

## TWO METHODS OF DEPRECIATION RECKONING

Two methods have been used in the retail shoe business for guarding against the over-valuation of depreciated stock at inventory time. One is the general percentage method; the other is the appraisal method.

The *percentage method* in one form makes a deduction of from 1 per cent to 20 per cent from the total inventory. Most often the percentage is 5 or a multiple of 5, according to the store's experience. This rate is purely arbitrary; it treats some portions of the stock in an altogether too drastic manner, but the net result may be not far wrong. The depreciation under this form is not figured according to the length of time each item has been in stock, but at each inventory date the percentage is applied to the full cost of the stock. The other form of the percentage method uses graduated percentages according to the age of the stock, such as a small rate for goods on hand less than six months, 25 per cent for goods on hand from six months to a year and 50 per cent for goods on hand more than a year. This form is more exact than the preceding, in that it pares down the valuation of slow-moving stock, for the increasing rates serve to accumulate the depreciation.

The *appraisal method* does not use general

percentages of any sort but ascertains the estimated wholesale value of each depreciated pair. This is the sounder method, for it not only applies the depreciation charge to the lines that have declined in value, but gives a closer measurement of the fall in value. The way the amount of depreciation is determined is this: The retailer or buyer, on the advance-count slip or inventory record, notes the price at which he thinks the depreciated pair will surely sell. He then scales down the original cost in the proportion that the estimated selling price bears to the originally marked selling price. The new cost figure is then the one at which the shoes would be bought in the market to give the regular margin of profit at the cut-down selling price. The difference between the original cost and the new cost, therefore, is the loss that the dealer has suffered through depreciation. Take the case of a pair of shoes costing $6 and marked to sell at $9. If depreciation will make necessary a sale at half price or $4.50, then at inventory time the cost is also halved, thus giving a depreciation of $3.

In some cases a combination of the two methods provides for the appraisal of odd lots, broken lines, and other seriously depreciated shoes, and for the deduction of a small percentage (say 5 per cent) from the cost of the remainder of the stock or, less exactly, from the cost of the whole stock. This plan puts the

burden of depreciation on the lines that are most deteriorated, and it gives a conservative inventory total, for the general percentage covers any depreciation that may be in existence but is yet not visible.

### VALUE OF DEPRECIATION RECORD

The Bureau of Internal Revenue in its income-tax rulings does not yet allow depreciation to be deducted from inventories, apparently because the loss will finally appear in reduced gross sales, and in that form will not expose the Government to excessive depreciation charges and lower taxes. Without a depreciation record, however, the retailer cannot know how many dollars of sales he stands to lose because of depreciation. Hence, regardless of an inventory at full cost to the Government, he ought to calculate just for his own information the amount of depreciation that has resulted in any period. Only in this way can he intelligently handle the problem of securing enough profits on his salable goods to make up for the loss on the depreciated stock. Forewarned is forearmed.

Because of the importance of recording depreciation in merchandise, you should be eager to help at inventory time. If you are using advance-count slips with a cost column, you may well ask about or question the unit cost of every line that gives any evidence of depreciation. The merchant can then check the slips and make

the necessary valuations. Or if you are checking on the inventory record cost figures entered in advance, you may raise the same question. If the cost figures are entered in the office after inventory day, you will have no direct connection with the depreciation loss unless your opinion is asked in regard to the price at which some line can be moved off the shelves. From your contact with customers you may be able to give opinions that will help to determine the amount of depreciation. And, of course, it is you who must sell depreciated goods after inventory date. Bear that in mind that the longer they remain, the greater is the store's loss. Do your very best to put them in the hands of satisfied customers.

### THINKING PAYS

In closing this volume on stockkeeping, it is desired to emphasize once more the fact that your own success is dependent upon the way you use your head in regard to store equipment and the classification, the care and the control of stock.

Business men are willing to pay liberally for salesmen with brains. One employer has voiced his need in these words: "An immense amount of time could be saved if I could get my salesmen actually to think about what they are doing and why they are doing it; whether what they are doing is necessary and whether their

time could be better utilized." The stimulation of mental effort on the part of the salespeople is indeed one of the hardest problems of the retail merchant. For this very reason the salesman who of his own accord devotes his thoughts to all possible phases of his work is rendering a double service to the merchant, for he is making management easier and profits greater. The result for the salesman is sure to be advancement.

"No one," says Emerson, "can cheat you out of ultimate success but yourself." You have in this volume the fundamentals of stockkeeping; in your own store the opportunity to apply them; in your brain the means of accomplishing the desired ends wisely and tactfully. If you are determined to make the most of these advantages you cannot help but succeed.

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